

VERMONT



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ending JUNE 30, 2008

The picture on the cover of this report is a covered bridge in Cabot Plains, Vermont.
The picture was provided by Sam Pearsons of Lyndonville, Vermont.

STATE OF VERMONT

**COMPREHENSIVE
ANNUAL
FINANCIAL REPORT**

For the fiscal year ending JUNE 30, 2008



*James H. Douglas
Governor*

Prepared by the Department of Finance and Management

**STATE OF VERMONT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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**State of Vermont**

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Agency of Administration

LETTER OF TRANSMITTAL

To the Honorable James H. Douglas, Governor,
The Honorable Brian Dubie, Lieutenant Governor,
Chairs of House Committees on Appropriations, Institutions and Ways and Means,
Senate Committees on Appropriations, Finance and Institutions, and
The Citizens of the State of Vermont

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the State of Vermont for the fiscal year ended June 30, 2008. The Department of Finance and Management prepared this report as required by Title 32, Vermont Statutes Annotated, Section 182(a)(8). By issuing this report by December 31, 2008, the Department has met the State statutory required issuance date. Responsibility for the completeness and fairness of the presentation, including all disclosures, rests with the State of Vermont's Department of Finance and Management. We believe that the accompanying financial statements are accurate and fairly stated in all material respects, and are presented in a manner designed to fairly report the State of Vermont's financial position, results of operations and changes in net assets/fund balances.

I would like to direct your attention toward two important items contained in this CAFR. The first item is the Management and Discussion Analysis (MD&A) that follows the Independent Auditor's Report. This analysis is designed to give you, the reader, an overview of the State's financial position, described in understandable terms, in order to help you better understand the results of operations of your state government. Secondly, I would like to direct your attention to the Basic Financial Statements (BFS) which follow the MD&A. The Basic Financial Statements were prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). They contain government-wide statements that present the State's financial activities in a manner similar to that of a private corporation; fund statements that report governmental, proprietary, fiduciary fund financial activity; component unit financial activity; and note disclosures that explain and enhance the basic financial statements.

For fiscal year 2008, the following new funds are reported for the first time: the fiduciary fund type statements include the new Investment Trust Fund, and the Vermont Municipal Employees' Health Benefit Fund. Please refer to Note 1, Section E for more information regarding these new funds. In addition to the MD&A and BFS, this CAFR includes a Required Supplementary Information (RSI) section, a Supplementary section, and a Statistical section. The RSI section contains a Schedule of Funding Progress for the State's defined benefit pension and other postemployment benefits plans, and Budget to Actual comparison schedules for the State's major governmental funds with Notes reconciling budgetary fund balance to the governmental funds GAAP fund balance. The Supplementary section contains combining fund financial statements for the State's non-major Governmental, Proprietary, and Fiduciary Funds, and for the State's non-major component units. The Statistical section presents data relating to financial trends, revenue and debt capacity, and demographic and operating information about the State of Vermont. It should be noted that the information contained in the RSI and Statistical sections is unaudited.



State Profile

Vermont, known as the Green Mountain State, was first settled by the French in 1666, then by the English in 1690, and joined the Union as the fourteenth State in 1791. Rural in character, the state measures 9,249 square miles of land area, and ranks 49th out of the 50 states in population, with the April 1, 2000 Census count of 608,827. The State capital is Montpelier (population of 8,035 in 2000), and the largest city is Burlington (2000 population of 38,889).

The State Constitution provides for three traditional branches of Government – the Legislative, the Executive, and the Judicial. The Legislative branch is comprised of the House of Representatives (150 members) and the Senate (30 members); all are elected for two-year terms. The Executive branch includes six elected officers – the Governor, Lieutenant Governor, Treasurer, Secretary of State, Auditor of Accounts, and the Attorney General – all elected for two year terms, without term limitations. The Governor is responsible for the faithful execution of all laws and the management of the departments and agencies of the Executive Branch – including the agencies of Administration, Transportation, Natural Resources, Commerce and Community Development, Human Services, the Department of Education, as well as other agencies and departments – through which the functions of the state government are carried out. The Judicial branch of the state is made up of a Supreme Court, and Superior, District, Family, Environmental, and Probate Courts, and the Judicial Bureau. The judges are appointed by the Governor with the advice and consent of the Senate, and serve six-year terms.

The General Fund

The General Fund, which accounts for a significant portion of the State's financial activity, is the State's largest operating fund. It accounts for all revenues and other receipts that are not required by law to be accounted for or deposited in other funds as well as the expenditures associated with these revenues. In fiscal year 2008, general fund tax revenues accounted for 97.4% of total general fund revenues. The three principal tax revenue contributors – the personal income tax, the general fund's portion of the sales and use tax, and the meals and room tax – accounted for 82.8% of general fund total tax revenues or approximately 80.7% of total General Fund revenues. General Fund expenditures used 68.0% of the total revenues, and these expenditures occurred in the following major governmental functional categories: General Government, Protection to Persons and Property, Human Services, Employment and Training, General Education, Natural Resources, Commerce and Community Development and Debt Service. The majority of the remainder of the resources provided from the 2008 General Fund revenues were transferred out to other funds and used for various purposes. Please see Note 3E for a summary of these transfers.

Budget Adoption and Legal Compliance/Budgetary Results

Note 1 to the financial statements describes the State's budgeting process, while the Required Supplementary Information section contains Budget to Actual comparison schedules and associated notes for the General Fund and the five major special revenue funds. These schedules present each fund's original budget, final budget, actual expenditures incurred on a budgetary basis, and the variance between the final budget and actual expenditures incurred. As the adopted budget provides legal control over spending, expenditures cannot exceed amounts appropriated under Vermont law. Budgetary control is exercised by fund within appropriation.

Cash and Investments

Cash deposits are managed by the State in accordance with the provisions of Title 32, Vermont Statutes Annotated, Sections 431-434, which defines the requirements the Treasurer must adhere to when

depositing public monies. For investing purposes, the State Treasurer pools substantially all cash except that which is required to be maintained separately in accordance with legal restrictions. Note 2 provides more detail regarding this important area.

Risk Management

By self-insuring, the State generally assumes substantially all risk associated with Workers' Compensation, Employee Liability, Employee Health and Life, and General Liability under State law. However, the State has minimized its exposure in several areas by either purchasing commercial insurance coverage or by limiting benefit claim amounts.

Independent Audit of These Financial Statements

KPMG, LLP, an independent certified public accounting firm, performed an independent audit of the State's basic financial statements for the fiscal year ended June 30, 2008, with the assistance of the State Auditor's Office. The auditors have issued an unqualified opinion, the most favorable outcome of the audit process. The audit described in the auditor's report is not intended to meet all requirements of the Federal Single Audit Act of 1996. Rather, the Single Audit Report for the State is issued under separate cover.

Acknowledgements

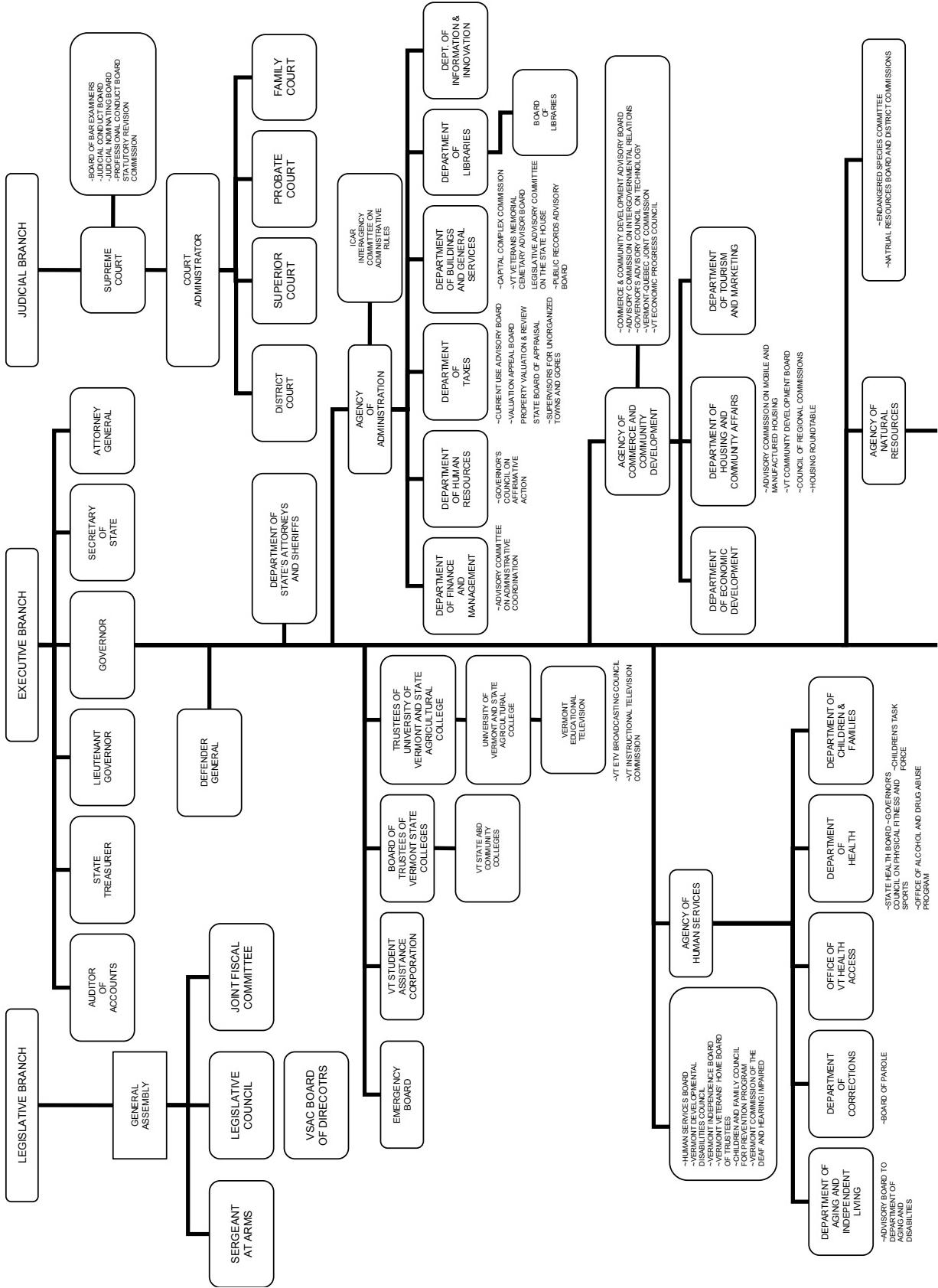
The preparation of this report involved the dedicated work of staff in the Department of Finance and Management, the Office of the State Treasurer, the Office of the Auditor of Accounts, and the support of all State agencies, departments, component units, the Legislature, and the Judiciary. We welcome inquiries concerning this report and the finances of the State of Vermont.

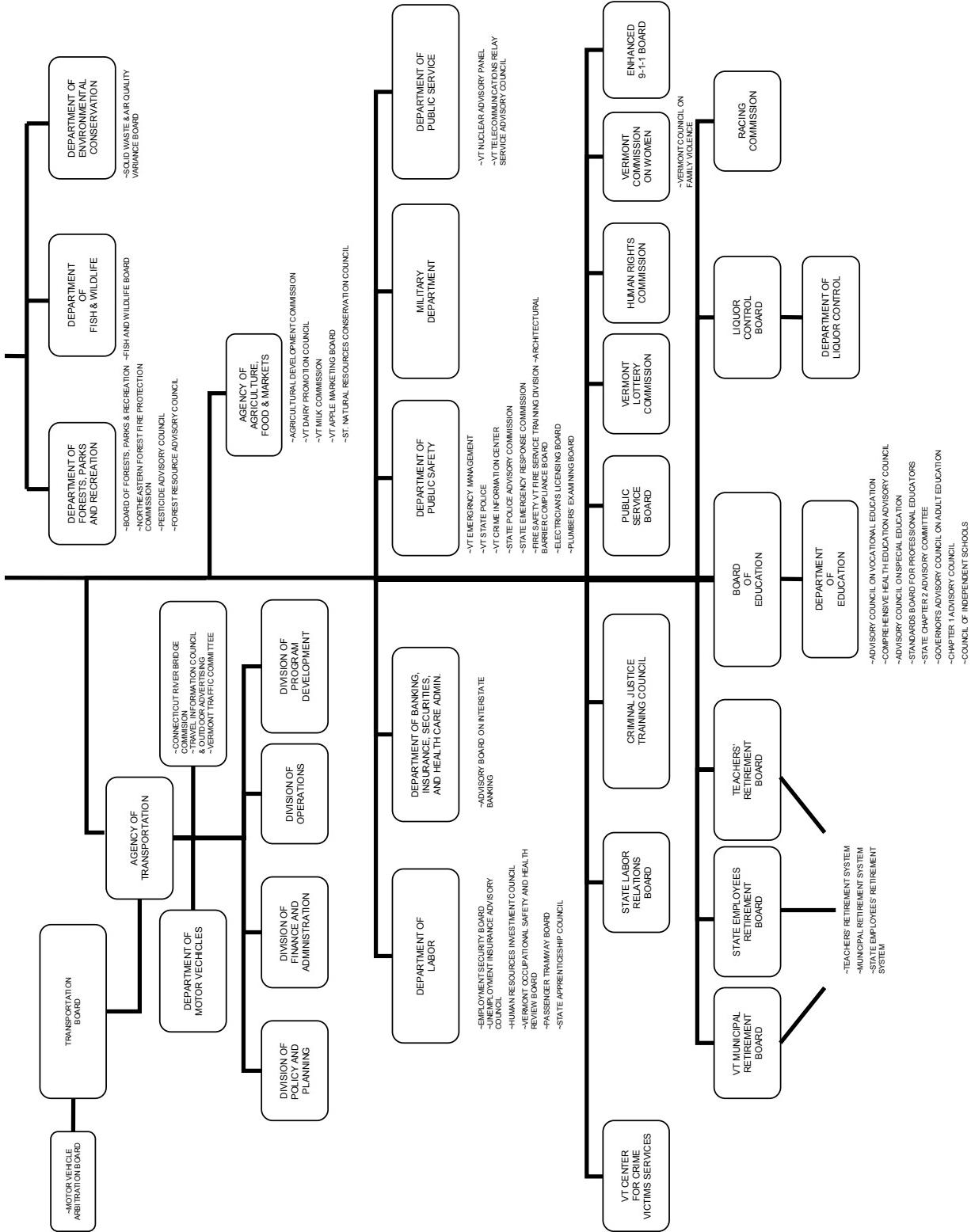
Sincerely,



James B. Reardon, CPA
Commissioner

December 23, 2008





SELECTED STATE OFFICIALS
As of June 30, 2008

EXECUTIVE

James H. Douglas
Governor

Brian L. Dubie
Lieutenant Governor

Deborah L. Markowitz
Secretary of State

William H. Sorrell
Attorney General

Thomas M. Salmon
Auditor of Accounts

George B. "Jeb" Spaulding
State Treasurer

JUDICIAL

Paul L. Reiber
Chief Justice

LEGISLATIVE

Peter Shumlin
President Pro Tempore of the State Senate
(30 Senators)

Gaye Symington
Speaker of the House of Representatives
(150 Representatives)



FINANCIAL SECTION



KPMG LLP

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Burlington, VT 05402

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356 Mountain View Drive
Colchester, VT 05446

Independent Auditors' Report

To the Speaker of the House of Representatives,
President Pro-Tempore of the Senate
and the Governor of the State of Vermont:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Vermont (the "State"), as of and for the year ended June 30, 2008, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component units identified in Note 1A. We also did not audit the financial statements of the Vermont Lottery Commission, the Special Environmental Revolving Fund, the Vermont Energy Efficiency Utility Fund, the Vermont Universal Service Fund, or the Tri-State Lotto Commission. The discretely presented component units identified in Note 1A represent 72% of the total assets and 43% of the total revenues of the aggregate discretely presented component units. The Vermont Lottery Commission represents 100% of the total assets and revenues of the Vermont Lottery Commission Fund and 3% of the total assets and 45% of the total revenues of the business-type activities. The Special Environmental Revolving Fund represents 76% of total assets and 2% of total revenues of the Federal Revenue Fund, the Vermont Energy Efficiency Utility Fund and the Vermont Universal Service Fund represent 9% of total assets and 8% of total revenues of the Special Fund and collectively represent 9% of total assets and 1% of total revenues of the governmental activities. The Tri-State Lotto Commission represents 100% of the information disclosed in Note 13. Those financial statements were audited by other auditors whose reports thereon have been furnished to us and, our opinions, insofar as they relate to the amounts and disclosures included for those discretely presented component units, the Vermont Lottery Commission, the Special Environmental Revolving Fund, the Vermont Energy Efficiency Utility Fund, the Vermont Universal Service Fund, or the Tri-State Lotto Commission, are based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control over financial reporting. Accordingly, we express no opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Vermont as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As disclosed in note 1 and note 5, the State adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and GASB Statement No. 50 *Pension Disclosures* as of July 1, 2007.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 23, 2008 on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and other Required Supplementary Information, listed in the accompanying table of contents, are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Management's Discussion and Analysis and other Required Supplementary Information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Vermont's basic financial statements. The introductory section, supplementary information, and statistical section, listed in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of the other auditors, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

December 23, 2008

INTRODUCTION

We are pleased to present this analysis and discussion of Vermont's financial performance for the fiscal year ending June 30, 2008. This Management, Discussion & Analysis (MD&A) section is intended to serve as an introduction to the State's basic financial statements, which have the following components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The MD&A is designed to assist the reader in focusing on significant financial matters, provide an easily readable overview of the State's financial activities, identify any material changes from the original budget, and highlight financial matters that occurred during fiscal year 2008. The following presentation is by necessity highly summarized, and in order to gain a thorough understanding of the State's financial condition, the following financial statements, notes and required supplementary information should be reviewed in their entirety.

FINANCIAL HIGHLIGHTS

Vermont reported net assets of \$1.424 billion, comprised of \$2.613 billion in total assets offset by \$1.190 billion in total liabilities at June 30, 2008 (Table 1).

The primary government's net assets have decreased by \$52.4 million as a result of this year's operations. The net assets for governmental activities decreased \$26.6 million and net assets for business activities decreased by \$25.9 million (Table 2).

The State's governmental funds reported combined ending fund balances of \$420.6 million. Of this amount, \$244.2 million is available for spending at the State's discretion (unreserved fund balance).

The State's General Fund reported an operating deficit this year of \$7.3 million which decreased the accumulated fund balance to \$155.7 million, of which \$101.1 million is reserved for specific purposes.

The State's debt outstanding for General Obligation Bonds decreased \$2.8 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

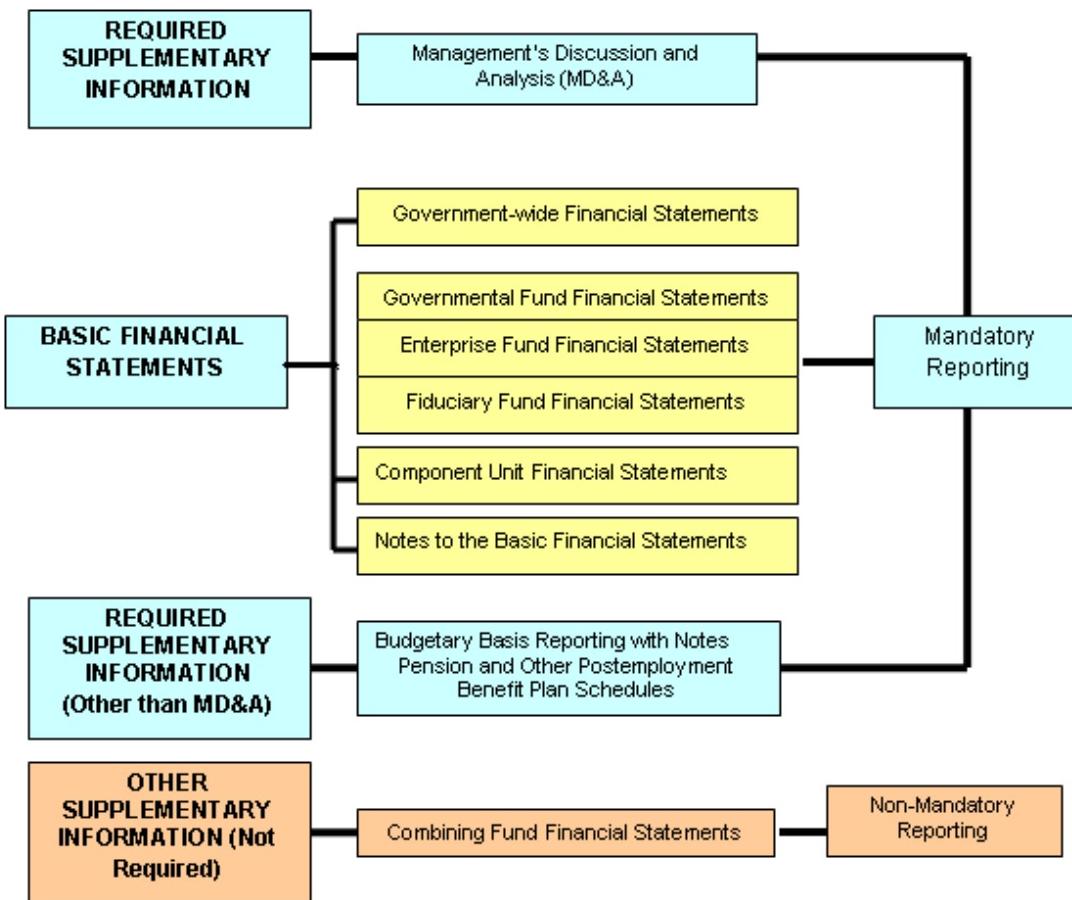
This Comprehensive Annual Financial Report (CAFR) consists of a series of financial statements and supplementary information. The financial section contains the Independent Auditor's Report, this discussion and analysis section, the basic financial statements (BFS) with required supplementary information (RSI), other supplementary information, and a statistical section. Additional information regarding the above sections may be found below as well as in the notes to the financial statements.

Management's Discussion and Analysis

State of Vermont

Fiscal Year Ended June 30, 2008

The layout and relationship of the financial statements and supplementary information is visually illustrated as follows.



Basic Financial Statements

Vermont's basic financial statements (BFS) consist of four components: 1) government-wide financial statements, 2) fund financial statements, 3) component units' financial statements, and 4) notes to the financial statements. The fund financial statements include governmental, proprietary, and fiduciary types of funds that will be described later in this analysis. Notes to the financial statements provide explanations and/or additional detail for all of the above type financial statements and are considered an integral part of the financial statements.

1) Government-Wide Financial Statements

Vermont's government-wide financial statements, which follow this MD&A section, are designed to present a broad view of the State's operations and financial position in a manner similar to the accounting principles used by most private-sector business. All of the State's activities except its fiduciary funds' activities are reported in the government-wide statements. Fiduciary activities are not included because the resources of these funds are not available to support the State's own programs.

The government-wide statements contain both short-term and long-term information about the State's financial position and assist in assessing the State's economic condition at the end of each fiscal year. The State

Management's Discussion and Analysis

State of Vermont

Fiscal Year Ended June 30, 2008

prepares these statements using the "flow of economic resources" measurement focus and the accrual basis of accounting. This basically means that the methods utilized to prepare these statements are similar to those used by most private sector businesses in preparing their financial statements. They take into account all financial activity connected with the reported fiscal year including revenues, expenses, transfers, sales or acquisitions of capital assets, and any other activity affecting or possibly affecting the financial condition of the State, even if cash involved has not been received or paid. The government-wide financial statements present two statements:

The *Statement of Net Assets* presents both the primary governments' and its component units' assets and liabilities, with the difference between the assets and liabilities reported as "net assets". Over time, increases or decreases in the primary government's net assets may serve as an indicator as to whether the financial position of the State is improving or deteriorating.

The *Statement of Activities* presents the reported year's financial activity and hence, the reason(s) for the changes in net assets included on the Statement of Net Assets. All changes in financial activities are recognized as soon as the underlying event(s) giving rise to the changes occur, regardless of the timing of related cash flows. Thus, some revenues and expenses reported in this statement will not result in cash flows until future fiscal periods. This statement also presents the relationship between the State's major expenditure functions and the associated sources of program revenues associated with each expenditure function.

Both of the above financial statements segregate Vermont's financial activity into the following three different categories. The governmental activities and business-type activities are combined to report on what is termed *primary government activities* which are separate and distinct from the *component units' activities* of the discretely presented component units. For more information regarding discretely presented component units, please see Note 1 to the financial statements.

Primary Government Activities

Governmental Activities – The financial activities reported in this section generally represent those services (functions) normally performed by a government entity. These activities include public education, general government, public health services, legal and judiciary services, natural resources, public safety, regulatory services, social services, and public transportation. Taxes, grants, and intergovernmental revenues are the main sources of funding for these activities.

Business-Type Activities – These business-type activities of the State include the operations of Vermont's enterprise activities. For financial reporting purposes, these activities are classified as either major or non-major, depending upon their financial size as compared to each other and to the group as a whole. Activities categorized as major include the Unemployment Compensation Trust Fund program, liquor control, and the State lottery commission. Activities reported as non-major include the federal surplus property program, publishing Vermont Life magazine, making equipment loans to municipalities, and several other activities. Both major and non-major activities normally recover all or a portion of their costs through user fees and charges to the external consumers of their goods and services, much like a private business.

Component Units' Activities

Discretely Presented Component Units – These are legally separate (incorporated) entities for which the elected officials of the primary government have financial accountability. The State's discretely presented component units are presented in the aggregate in the government-wide statements. This aggregate total consists of three major and ten non-major component units. This categorization is determined by the relative size of the entities' assets, liabilities, revenues and expenses in relation to the total of all component units. Additional information or financial statements for each of these individual component units can be obtained from their respective administrative offices. Addresses and additional information about the State's component units are presented in Note 1 to the financial statements.

Management's Discussion and Analysis

State of Vermont

Fiscal Year Ended June 30, 2008

2) Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Similar to other state and local governments, Vermont uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements focus and report on the State's activities in more detail than the government-wide statements. All of the funds of the State have been divided into three categories for reporting purposes: governmental, proprietary, and fiduciary. In turn, the governmental and proprietary funds are divided into major and non-major categories as required by the Governmental Accounting Standards Board. For the governmental and proprietary funds, the major funds are reported in individual columns in the fund financial statements while the non-major funds are presented in a consolidated column in the fund financial statements. Combining schedules or statements in the supplementary information section present detailed non-major fund activity. Fiduciary funds are reported by fiduciary type (pension and other postemployment benefit trusts, investment trusts, private purpose trusts and agency funds) with combining schedules or statements for the individual pension, other postemployment benefit, and agency funds presented in the supplementary information section. It is important to note that these fund categories use different accounting methods and should be interpreted differently as described below.

The Three Categories of Funds are:

Governmental Funds

Most of the basic services provided by the State are accounted for in the governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as the balances of resources available at the end of the fiscal year. This approach uses the flow of current financial resources measurement focus and the modified accrual basis of accounting. These statements provide a detailed short-term view of the State's finances that assist in determining whether there will be adequate financial resources available to meet the current needs of the State.

Because the time period focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Schedules reconciling the governmental funds' Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances to their respective government-wide statements are provided on the pages immediately following each governmental fund financial statement to facilitate this comparison.

The State reports eighteen governmental funds of which six are classified as "major" governmental funds. These major funds are the General Fund, Transportation Fund, Education Fund, Special Fund, Federal Revenue Fund and Global Commitment Fund. Each major fund is presented in a separate column in the Governmental Funds' *Balance Sheet* and in the *Statement of Revenues, Expenditures, and Changes in Fund Balance*. The "non-major" governmental funds include the Fish and Wildlife Fund, two capital projects funds, and nine permanent funds and are presented in one consolidated column in the governmental fund statements. Combining and individual non-major governmental fund statements are reported in the other supplementary information section of this report.

The governmental funds' financial statements immediately follow the government-wide financial statements.

Proprietary Funds

This category of funds includes enterprise funds (business-type) and internal service funds. These funds report activities that operate much like those of commercial enterprises. These funds' financial reports include a *Statement of Net Assets*; a *Statement of Revenues, Expenses and Changes in Net Assets*; and a *Statement of Cash Flows*.

Management's Discussion and Analysis

State of Vermont

Fiscal Year Ended June 30, 2008

Enterprise funds provide the same type of information as the business-type activities section in the government-wide financial statements, only in more detail. Like the government-wide financial statements, enterprise fund financial statements use the accrual basis of accounting. Enterprise funds account for services provided to the general public, government, and non-State government entities. They normally derive their revenue by charging user fees in order to cover the costs of their services.

The State reports eight enterprise funds of which three are reported as major funds in separate columns on the proprietary fund statements. These three are the Unemployment Compensation Fund, the Liquor Control Fund, and the Vermont Lottery Commission. The other five enterprise funds are reported as "non-major funds" and are consolidated into one column on the proprietary fund statements.

Internal service funds are used to report activity that provides goods and services to other funds, departments, or agencies of the primary government and its component units, or to other governments on a cost reimbursement basis. Because the activities in these funds primarily benefit governmental activities, they have been combined with the governmental activities in the government-wide statements.

The State reports twenty-two internal service funds which are reported in one consolidated column entitled "Governmental Activities – Internal Service Funds Total" on the Proprietary Funds Statement of Net Assets; Statement of Revenues, Expenses, and Changes In Net Assets; and Statement of Cash Flows.

The proprietary funds' financial statements immediately follow the governmental fund financial statements. Combining non-major enterprise and combining internal service fund statements may be found in the other supplementary information section.

Fiduciary Funds

The fiduciary funds are used to account for resources held by the State for the benefit of parties outside of State government. Fiduciary funds are excluded from the government-wide financial statements because the State cannot use these assets to finance its operations. The fiduciary funds use the accrual basis of accounting.

The State's fiduciary funds are divided into the following four basic categories: Pension and Other Postemployment Benefit Trust Funds (includes three separate defined benefit pension plans, three separate defined contribution pension plans, one defined benefit other postemployment benefit plan, and one defined contribution other postemployment benefit plan); Investment Trust Fund (which reports only the external portion of the Vermont Pension Investment Committee investment pool); Private Purpose Trust Fund (which reports only the Unclaimed Property Fund); and Agency Funds (eleven agency funds which account for the assets held for distribution by the State as an agent for other governmental units, organizations or individuals). These funds financial reports include a *Statement of Fiduciary Net Assets*; and a *Statement of Changes in Fiduciary Net Assets*.

The fiduciary funds financial statements can be found immediately following the proprietary funds financial statements. Individual pension and other postemployment benefit trust funds, and agency funds financial statements are reported in the other supplementary information section of this report.

3) Discretely Presented Component Units' Financial Statements

As mentioned previously, the State has included the net assets and activities of three major component units in individual columns and ten non-major component units in a single column on the statements. The component units' financial statements can be found immediately after the fiduciary funds. Combining individual non-major component units' financial statements can be found in the supplementary information of this report.

4) Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data presented in the government-wide and the fund financial statements. The notes to the financial statements can be found immediately following the component units' financial statements.

Management's Discussion and Analysis

State of Vermont

Fiscal Year Ended June 30, 2008

Required Supplementary Information Other Than MD&A

The basic financial statements are followed by a section of required supplementary information. This section includes:

The Schedule of Funding Progress for the three defined benefit pension trust funds and the Schedule of Employer Contributions for the past six years are included in the required supplementary information section. Also, this section includes the Schedule of Funding Progress for the other postemployment benefit plans.

Schedules for the General Fund and budgetary basis special revenue funds related to the five major Special Revenue Funds comparing their original budgeted amounts; final budgeted amounts; actual inflows, outflows, and balances stated on the budgetary basis; and variances between the final budgeted amounts and actual amounts presented on a budgetary basis. See Note 1, Section E for additional information regarding the budgetary process, including the budgetary basis.

Notes to Required Supplementary Information include a schedule reconciling the statutory fund balance presented on a budgetary basis to the fund balance prepared on a modified accrual basis as presented in the governmental fund financial statements for each major governmental fund.

Other Supplementary Information

Combining Financial Statements

The combining fund financial statements referred to earlier in connection with non-major funds and non-major component units are presented following the Required Supplementary Information. The total columns of these combining financial statements carry to the applicable fund financial statement. These combining statements include the following:

- Non-major governmental funds
- Non-major proprietary (enterprise) funds
- Internal service funds
- Fiduciary funds including individual pension and other postemployment benefit trust funds and individual agency funds
- Non-major component units

Statistical Section

A statistical section containing selected financial, debt capacity, operating, economic and demographic information is presented immediately following the combining financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

The State's (governmental and business-type activities) combined net assets total \$1.424 billion at the end of 2008, as shown in Table 1. Approximately 87.6 percent of these combined net assets consist of the State's investment in capital assets such as land, buildings, equipment, and infrastructure (roads, bridges, and other immovable assets) less any related debt still outstanding that was used to acquire those assets. This \$1.247 billion in capital assets represent resources used to provide services to citizens, and therefore are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the primary government's net assets (20.1 percent) represents resources that are subject to external restrictions on how they may be used. Internally imposed designations of resources are not presented as restricted net assets. The remaining balance of unrestricted net assets is a deficit of \$109.1

Management's Discussion and Analysis

State of Vermont

Fiscal Year Ended June 30, 2008

million. This deficit balance increased by \$85.4 million from the previous year's unrestricted net asset deficit.

The governmental activities' negative unrestricted net assets balance is mainly the result of two actions: 1) debt issued by the State for municipal, non-profit or component unit capital purposes that does not result in a governmental activities' capital asset and 2) the statutorily mandated restricting of net assets for the budget stabilization reserves.

The business type-activities' positive unrestricted net asset balance may be used to meet the State's ongoing obligation to its citizens and creditors.

At the end of fiscal year 2008, the State reported positive total net asset balances in its governmental activities, business-type activities, and discretely presented component units.

The following primary government condensed financial statement information is derived from the State's June 30, 2008 and 2007 government-wide Statement of Net Assets. Although the government-wide statements include discretely presented component unit activity, the component unit activity has not been included in these condensed statements.

TABLE 1
State of Vermont's Net Assets
(In Millions)

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current assets.....	\$ 808.1	\$ 779.0	\$ 183.3	\$ 209.5	\$ 991.5	\$ 988.5
Other assets.....	213.4	212.1	5.0	4.9	218.4	217.0
Capital assets.....	1,402.8	1,327.6	0.6	0.4	1,403.4	1,328.0
Total assets.....	2,424.3	2,318.7	189.0	214.9	2,613.3	2,533.5
Long-term liabilities.....	762.4	668.0	4.9	4.6	767.2	672.6
Other liabilities.....	411.4	373.6	11.0	11.3	422.4	384.8
Total liabilities.....	1,173.8	1,041.5	15.9	15.9	1,189.6	1,057.4
Net assets:						
Invested in capital assets,						
net of related debt.....	1,245.9	1,161.2	0.6	0.4	1,246.5	1,161.6
Restricted.....	117.1	143.4	169.2	194.8	286.3	338.2
Unrestricted (deficit).....	(112.4)	(27.4)	3.3	3.7	(109.1)	(23.7)
Total net assets.....	\$ 1,250.6	\$ 1,277.1	\$ 173.1	\$ 199.0	\$ 1,423.7	\$ 1,476.1

Totals may not add due to rounding.

In 2008, governmental activities' revenues performed short of expenses by \$50.5 million and received transfers of \$23.9 million from business activities, resulting in the 2.08 percent decrease in net assets. The decrease in statewide education tax was the result of a decrease in the tax rate and a \$4.5 increase in income sensitivity adjustments to the assessed taxes. Business-type activities had an overall decrease in net assets of 13.02 percent, resulting from an operating shortfall of \$2.0 million and by transfers out of \$23.9 million to governmental activities, primarily from the Lottery (\$22.6 million) to support education.

Management's Discussion and Analysis

State of Vermont

Fiscal Year Ended June 30, 2008

The following condensed table presents a comparison of activity for the fiscal years ended June 30, 2008 and 2007, and contains primary government data only.

TABLE 2
State of Vermont's Changes in Net Assets
(In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2007 ⁽¹⁾	2008	2007	2008	2007
Revenues						
Program revenues:						
Charges for services.....	\$ 273.5	\$ 299.6	\$ 216.3	\$ 222.0	\$ 489.8	\$ 521.6
Operating grants and contributions.....	1,182.6	1,083.8	-	-	1,182.6	1,083.8
Capital grants and contributions.....	151.7	167.2	-	-	151.7	167.2
General revenues:						
Income taxes.....	698.3	679.9	-	-	698.3	679.9
Sales and use taxes.....	336.2	332.3	-	-	336.2	332.3
Statewide education tax:						
Gross tax assessed.....	916.9	992.2	-	-	916.9	992.2
Income sensitivity adjustment.....	(118.0)	(113.5)	-	-	(118.0)	(113.5)
Meals and rooms tax.....	119.8	116.9	-	-	119.8	116.9
Other taxes.....	461.6	477.0	-	-	461.6	477.0
Miscellaneous.....	50.5	39.7	8.8	9.3	59.3	49.0
Total revenues.....	4,073.1	4,075.2	225.0	231.3	4,298.1	4,192.9
Expenses						
General government.....	101.5	114.7	-	-	101.5	114.7
Protection to persons and property.....	259.7	255.6	-	-	259.7	255.6
Human services.....	1,652.7	1,519.0	-	-	1,652.7	1,519.0
Labor.....	28.0	24.7	-	-	28.0	24.7
General education.....	1,614.4	1,622.4	-	-	1,614.4	1,508.9
Natural resources.....	95.7	85.9	-	-	95.7	85.9
Commerce and community development.....	37.0	31.9	-	-	37.0	31.9
Transportation.....	310.7	307.9	-	-	310.7	307.9
Public service enterprises.....	4.5	1.9	-	-	4.5	1.9
Interest on long-term debt.....	19.4	20.1	-	-	19.4	20.1
Unemployment compensation.....	-	-	99.0	94.4	99.0	94.4
Lottery commission.....	-	-	79.6	81.2	79.6	81.2
Liquor control.....	-	-	45.3	43.2	45.3	43.2
Other business-type expenses.....	-	-	3.1	2.9	3.1	2.9
Total expenses.....	4,123.6	3,984.2	227.0	221.7	4,350.6	4,092.3
Increase (decrease) in net assets before transfers.....	(50.5)	91.0	(2.0)	9.5	(52.4)	100.5
Transfers net in (out).....	23.9	24.2	(23.9)	(24.2)	-	-
Change in net assets.....	(26.6)	115.2	(25.9)	(14.7)	(52.4)	100.5
Net assets, beginning of year	1,277.1	1,161.9	199.0	213.7	1,476.1	1,375.6
Net assets, end of year.....	\$ 1,250.6	\$ 1,277.1	\$ 173.1	\$ 199.0	\$ 1,423.7	\$ 1,476.1

⁽¹⁾The \$113.5 million in homestead property tax assistance paid to taxpayers in fiscal year 2007 has been reclassified from general education expenses to a reduction in statewide education tax revenue. Beginning with fiscal year 2008, this is an income sensitivity adjustment to the taxpayers' statewide property tax assessment rather than a grant payment to taxpayers.

Totals may not add due to rounding.

Management's Discussion and Analysis

State of Vermont

Fiscal Year Ended June 30, 2008

The State implemented GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" (GASB No. 45) in fiscal year 2008. GASB No. 45 establishes standards for the measurement, recognition and display of Other Postemployment Benefits (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. Postemployment benefits are part of an exchange of current salaries and benefits for employee services rendered. Prior to GASB No. 45, most OPEB Plans were reported on a pay-as-you-go basis and a government's financial statements did not report the financial effects of these postemployment benefits until paid.

GASB No. 45 requires the financial reports of governments to provide a systematic, accrual-basis measurement of an annual OPEB cost. The following schedule displays the effect of the GASB No. 45 expenses as they appear in the Statement of Activities for fiscal year 2008 and a comparison to fiscal year 2007.

(In thousands)

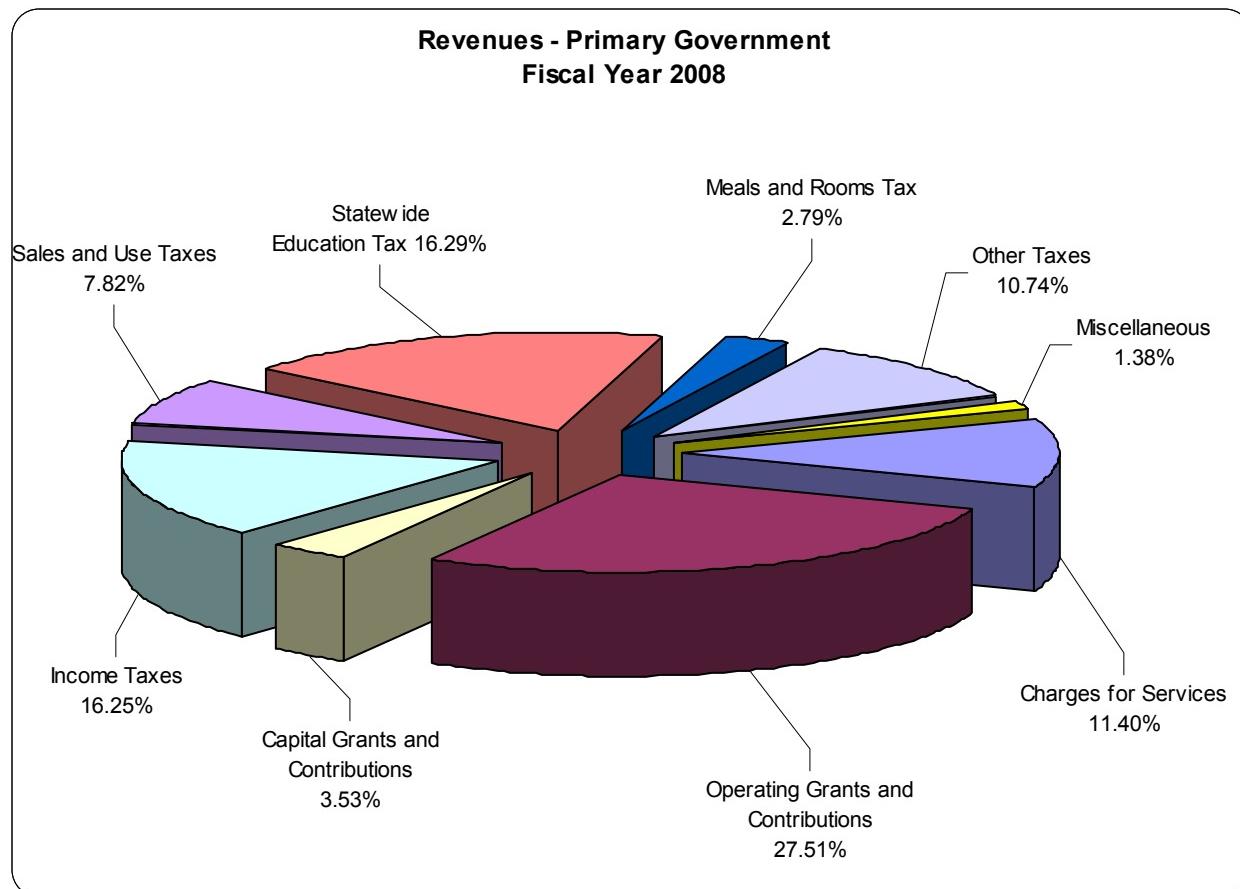
	2008		2007	
	Expenses per Statement of Activities	GASB 45 Expenses	Expenses excluding GASB 45	Expenses per Statement of Activities
Expenses				
General government.....	\$ 101,536.0	\$ 3,051.1	\$ 98,484.9	\$ 114,687.7
Protection to persons and property.....	259,691.4	6,729.0	252,962.4	255,620.5
Human services.....	1,652,680.3	11,472.3	1,641,208.0	1,518,969.5
Labor.....	28,020.2	898.5	27,121.7	24,739.7
General education.....	1,614,446.8	60,932.8	1,553,514.0	1,622,441.4
Natural resources.....	95,657.2	2,303.3	93,353.9	85,900.7
Commerce and community development.....	36,953.8	385.0	36,568.8	31,946.8
Transportation.....	310,701.5	3,956.6	306,744.9	307,899.3
Public service enterprises.....	4,502.6	0.8	4,501.8	1,890.0
Total expenses.....	\$ 4,123,550.3	\$ 89,729.4	\$ 4,014,460.4	\$ 3,984,167.8

Management's Discussion and Analysis

State of Vermont

Fiscal Year Ended June 30, 2008

The following graph illustrates the revenues of Vermont's primary government for fiscal year 2008. Approximately 31.92 percent comes from other entities and governments in the form of operating and capital grants and contributions (primarily federal grant revenues). An additional 32.99 percent of total revenues are generated by the statewide education and income taxes.



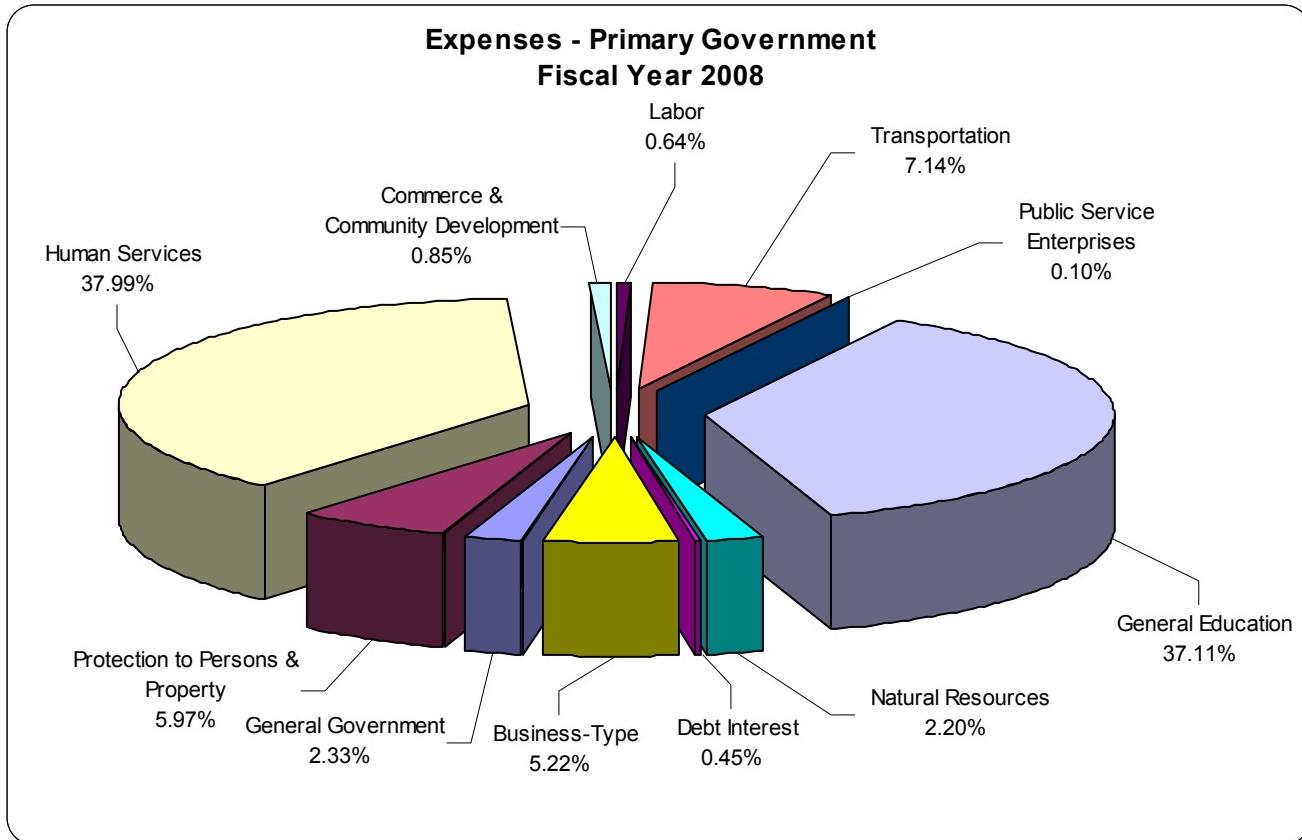
Percentages may not equal 100%, due to rounding.

Management's Discussion and Analysis

State of Vermont

Fiscal Year Ended June 30, 2008

The following graph illustrates the percentages of total primary government expenses. The largest portion of expenses is for human services (37.99 percent of total expenses) which provides for Vermont's low-income, elderly care services and persons in state custody in the form of grants for selected services such as food stamps, health care, housing and child protective services. The second most significant expense is for general education (35.36 percent of total expenses), which provides for Vermont's support to secondary and higher education.



Percentages may not equal 100%, due to rounding.

FINANCIAL ANALYSIS OF THE STATE'S INDIVIDUAL FUNDS

As noted earlier, the State of Vermont uses fund accounting to account for its ongoing operations and to demonstrate compliance with finance-related legal requirements imposed by both legislative mandates as well as externally imposed restrictions.

Governmental Funds

The focus of the State's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the State's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending. At the end of fiscal year 2008, the unreserved fund balance is 58.06 percent of the total fund balance of governmental funds, which is available for spending on governmental programs at the State's discretion in the coming year. The remainder of this fund balance has been reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders, for debt service, for the human services caseload reserve, for budget stabilization purposes, and for a variety of other purposes.

Management's Discussion and Analysis

State of Vermont

Fiscal Year Ended June 30, 2008

At the end of fiscal year 2008, the State's governmental funds reported combined fund balances of \$420.6 million, a decrease of \$11.1 million in comparison with the prior fiscal year. This decrease is primarily attributable to declines in statewide education tax and other tax revenues offset by declines in expenses for general education.

The General Fund is the chief operating fund of the State. At the end of fiscal year 2008, the General Fund's total fund balance was \$155.7 million and the unreserved portion of this fund balance was \$54.5 million. Its remaining fund balance was made up of reservations totaling \$101.1 million. The most significant reservations are: \$57.8 million for budget stabilization, \$17.2 million for the human services caseload reserve and \$18.98 million for fiscal year 2008 general fund surplus. During 2008, total expenditures and other financing uses surpassed revenues and other financing sources by \$7.3 million.

The Special Fund's total fund balance at the end of fiscal year 2008 was \$116.6 million, an increase of 1.16 percent in comparison with 2007. The Special Fund's total fund balance is comprised of \$106.7 million as unreserved, and \$9.9 million in reserved for encumbrances. Special Fund revenues increased \$26.4 million and expenditures increased \$49.6 million compared to 2007 resulting in a decrease in "excess of revenues over expenditures" of \$23.2 million from last fiscal year. Fiscal year 2008 transfers out to other funds exceed transfers in from other funds by \$129.5 million. The Special Fund transferred \$184.3 million to the Global Commitment Fund for a portion of the State's payment for Medicaid coverage under the Global Commitment to Health Medicaid waiver.

The Federal Revenue Fund accounts for the federal share of all federal grants except those federal grants that are awarded to the Agency of Transportation (which are included in the Transportation Fund) and the Department of Fish and Wildlife (which are included in the Fish and Wildlife Fund, a non-major governmental fund). The Federal Revenue Fund's federal grant revenues for fiscal year 2008 were \$1.1 billion, a 6.99 percent increase over fiscal year 2007's federal grant revenues. The Agency of Human Services' received 81.31 percent of the total federal grants revenue and transferred \$498.7 million to the Global Commitment Fund for the payment of the Federal share of Medicaid expenditures under the Global Commitment to Health Medicaid waiver. The Federal Revenue Fund's total fund balance at the end of fiscal year 2008 (\$69.8 million) was an increased of \$8.8 million over the total fund balance at the end of fiscal year 2007.

The fiscal year 2008 ending total fund balance for the Global Commitment Fund was a deficit balance \$36.1 million. Expenditures of \$783.5 million exceed net transfers in by \$5 million, resulting in a \$5 million increase in the deficit balance from the fiscal year 2007 ending total fund balance. This deficit is the mostly the result of Medicaid costs incurred under a previous Medicaid waiver agreement being paid with the resources transferred to the fund under the current agreement. The State plans to eliminate this deficit thorough amendment to the current Medicaid waiver agreement's Terms and Conditions to allow these costs to be incorporated into future capitation rates which determine the amount to be transferred to the fund.

The Education Fund at June 30, 2008, had a total fund balance of \$40.3 million, which represents a \$7.7 million decrease over fiscal year 2007's ending balance. Prior to fiscal year 2008, the State appropriated for expenditures to provide property tax relief to taxpayers based on taxpayer income levels and property taxes. Beginning with fiscal year 2008, the State paid income sensitivity adjustments to the municipalities, and the municipalities adjust the taxpayers' statewide education property tax assessments. The Education Fund's statewide education tax revenue was reduced from the gross assessment of \$798.9 million for the \$118 million that was paid to municipalities for income sensitivity adjustments. The Education Fund's reserve for budget stabilization increased \$1.1 million to \$29.4 million, the maximum allowed by statute.

The Transportation Fund's total fund balance was \$13.6 million at June 30, 2008, a decrease of \$6.7 million from the fiscal year 2007 ending total fund balance. This decrease was the result of expenditures exceeding revenues by \$4.5 million and transfer out exceeding transfers in by \$2.2 million. The Transportation Fund's reservation for budget stabilization increased from \$10.7 million to \$11.2 million, the maximum allowed by statute.

Management's Discussion and Analysis

State of Vermont

Fiscal Year Ended June 30, 2008

See Note 1, Section E for more information regarding these funds.

Proprietary Funds

The State's *enterprise funds* provide the same type of information presented in the business-type activities in the government-wide financial statements, but in more detail. The Unemployment Compensation Trust Fund is the largest of the enterprise funds accounting for 97.75 percent of the \$173.1 million total net assets reported by the enterprise funds. However, the Unemployment Compensation Trust Fund's total net assets decreased by \$25.6 million from \$194.8 million at June 30, 2007, to \$169.2 million at June 30, 2008. This decrease was the result of unemployment benefit distributions exceeding unemployment tax assessments and other income.

The State's *internal service funds*' total net assets at June 30, 2008 were \$12.2 million, a \$5.1 million decrease from June 30, 2007. This decrease is primarily due to operating losses totaling \$5.8 million partially offset by net transfers in from other funds of \$0.7 million. It should be remembered that the internal service funds' activity has been combined with the governmental funds' activity in the government-wide financial statements.

Fiduciary Funds

The State's fiduciary funds account for resources held for the benefit of parties outside the government. The *pension and other postemployment benefit trust funds*' net assets decreased by 7.73 percent to \$3.26 billion at June 30, 2008. For more information regarding the State's retirement and other postemployment benefit plans, see Note 5 to the financial statements. The Unclaimed Property Fund's total assets balance at June 30, 2008 is \$6.9 million, and total liabilities balance is \$5.5 million, including the escheat property claims liability estimated at \$5.5 million, resulting in ending net assets of \$1.416 million. The State's Vermont Pension Investment Committee (VPIC) accepted the City of Burlington into the VPIC investment pool effective November 1, 2007. This changed the investment pool from an internal investment pool to an external investment pool, and which required the State to add the reporting of an Investment Trust Fund in the Fiduciary Funds financial statements. The Investment Trust Fund's total net assets at June 30, 2008, were \$117.7 million. Net assets of all fiduciary funds are reported as held in trust for particular purposes.

GENERAL FUND BUDGET HIGHLIGHTS

The General Fund ended fiscal year 2008 with a surplus of revenues over expenditures on a budget basis. In July 2007, the State adopted its original revenue estimate of \$1,170.2 million and the original expenditure budget was \$889.3 million. The revenue estimate was increased by \$15.8 million in January 2008, and an additional \$3.7 million in April 2008. This 2008 legislative session anticipated a general fund surplus and in Act 192 section 5.803 of the 2008 legislative session, stipulated that the surplus be used for certain additional appropriations, transfers and reserves. This included the transfer of \$2.6 million to the budget stabilization reserve bringing the reserve to the statutory maximum of \$57.8 million, \$18.98 million to be added to the general fund surplus reserve, and an additional \$2.3 million to be added to the final fiscal year appropriations for economic recovery and opportunity initiatives. During the year, actual budgetary-based revenues exceeded the final budgetary estimates by \$10.1 million, with actual tax revenue exceeding the final tax revenue estimate by \$9.6 million. Expenditures were \$21 million less than the final budgeted amount.

PRIMARY GOVERNMENT'S CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The State investment in capital assets (net of accumulated depreciation) for its governmental and business-type activities as of June 30, 2008, was \$1.403 billion, a total increase of 5.68 percent (Table 3). This investment in capital assets includes land, buildings, improvements, equipment, infrastructure and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the State, such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items.

Management's Discussion and Analysis

State of Vermont

Fiscal Year Ended June 30, 2008

Many component unit, municipal and non-profit capital construction projects and acquisitions are financed by the State, but the assets are actually owned by these other organizations. Therefore, these capital assets are recorded on the financial statements of these owning organizations and are not listed on the books of the State. But the general obligation bonds issued by the State to finance these capital assets are reported as a liability of the State's governmental activities. At June 30, 2008, the State had \$226.3 million of general obligation bonds outstanding related to capital assets of these other organizations.

TABLE 3
Capital Assets at Fiscal Year End
(*Net of depreciation, amounts in thousands*)

	Governmental Activities		Business Activities		Total	
	2008	2007	2008	2007	2008	2007
Land and Land Improvements...	\$ 72,940	\$ 71,236	\$ -	\$ -	\$ 72,940	\$ 71,236
Construction in Progress.....	304,866	294,136	-	-	304,866	294,136
Works of Art.....	136	136	-	-	136	136
Buildings and Improvements....	205,690	205,957	31	37	205,721	205,994
Machinery and Equipment.....	48,213	48,964	553	375	48,766	49,339
Infrastructure.....	771,002	707,202	-	-	771,002	707,202
Totals.....	\$ 1,402,848	\$ 1,327,631	\$ 584	\$ 412	\$ 1,403,432	\$ 1,328,043

Totals may not add due to rounding.

Debt Administration

The State has no constitutional or other limit on its power to issue obligations or to incur debt besides borrowing only for public purposes. In 1990, the General Assembly created the Capital Debt Affordability Advisory Committee and made it responsible for overseeing the long-term capital planning for the State. Bonds authorized for a given fiscal year may, at the discretion of the State Treasurer with the approval of the Governor, be issued in the fiscal year, in the months of May and June proceeding such fiscal year, or in subsequent fiscal years. Bonds are backed by the full faith and credit of the State, including the State's power to levy additional taxes to ensure repayment of the debt.

During fiscal year 2008, the State of Vermont's outstanding general obligation bond debt decreased by approximately \$2.8 million. This decrease can be accounted for by the issuance of \$75.2 million of general obligation bonds and accretion of \$1.8 million in principal on the State's capital appreciation bonds offset by the redemption of \$51.4 million. There was \$28.4 million in defeasance in outstanding debt. Additional information on the State's long-term indebtedness is contained in Note 8 of the notes to the financial statements.

The State's general obligation bond ratings are as follows: Aaa by Moody's Investor Service (since February 2007), AA+ by Standard & Poor's Ratings Services (since September 2000), and AA+ by Fitch Ratings (since October 1999).

ECONOMIC FACTORS AFFECTING THE STATE

Capital Debt Affordability

Annually the Capital Debt Affordability Advisory Committee (CDAAC) completes a review of the size and affordability of the State tax-supported general obligation debt. By October 1, the CDAAC submits to the Governor and to the General Assembly an estimate of the maximum amount of new long-term general obligation

Management's Discussion and Analysis

State of Vermont

Fiscal Year Ended June 30, 2008

debt that prudently may be authorized for the next fiscal year. In September 2008, the CDAAC issued its recommendation proposing that the maximum amount of long-term general obligation debt authorized for the State in fiscal year 2009 be adjusted to \$64.65 million and the maximum amount of long-term general obligation debt authorization for the State in fiscal year 2010 be \$69.96 million.

Budgetary General Fund Fiscal Year 2009 and Economic Conditions

Budgetary General Fund revenues for the first five months of fiscal year 2009 were \$455.85 million, \$939 thousand higher than during the same period for fiscal year 2008. Personal income tax receipts are up \$9.378 million (4.17%) compared to fiscal year 2008. Corporate income tax and sales & use tax receipts have both declined over the same five month period compared to fiscal year 2008. Corporate income tax receipts declined by \$10.22 million (43.53%) and sales & use tax receipts declined by \$5.367 million (5.64%), both due to the unfavorable economic conditions. Vermont's General Fund budget is based on a Consensus Revenue Forecast as adopted by the Emergency Board (32 V.S.A. 305a). Normally the State's Consensus Revenue Forecast is updated two times per year in January and July. However, with the downturn in the national and regional economy, the Emergency Board scheduled interim reviews of the Consensus Revenue Forecast for April and November. The original fiscal year 2009 General Fund revenue forecast adopted in January 2008 (\$1,184.8 million) was reduced in April, and July, and most recently in November (\$1,114.4 million, -5.9%). Fiscal year 2009 General Fund appropriations were reduced following both the April and July revenue reductions. An additional General Fund appropriation reduction plan based on the November revenue downgrade is planned for implementation in December 2008.

The "Rainy Day Fund"

At June 30, 2008, the General Fund Budget Stabilization Reserve, sometimes called the *rainy day fund*, was fully funded at \$57.84 million, in accordance with 32 V.S.A. 308. At this point, the General Assembly has not chosen to draw on the Budget Stabilization Reserve to cover an anticipated fiscal year 2009 budgetary General Fund deficit.

These factors will likely have an impact on the State's financial position and budget in future fiscal years.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the State of Vermont's finances for all of Vermont's citizens, taxpayers, customers, and investors and creditors. This financial report seeks to demonstrate the State's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

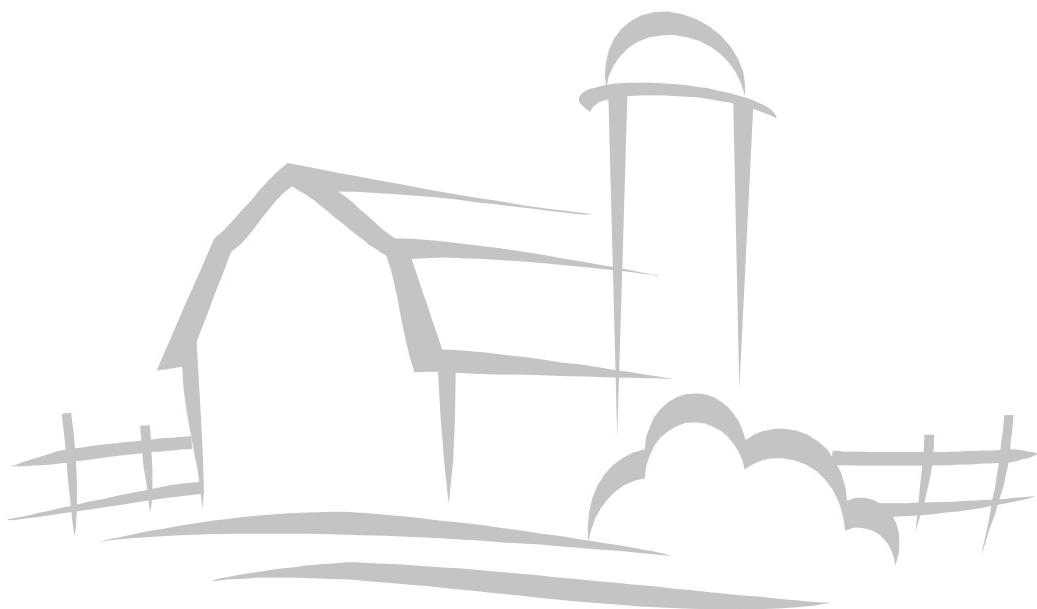
State of Vermont
Department of Finance and Management
109 State Street, 5th Floor
Pavilion Building
Montpelier, Vermont 05609-0401

The State's component units issue their own separately issued financial statements. Their statements may be obtained by directly contacting them at the addresses found in Note 1 to the State's financial statements.



BASIC FINANCIAL STATEMENTS

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Vermont



***GOVERNMENT-WIDE
FINANCIAL STATEMENTS***

STATE OF VERMONT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents.....	\$ 398,550,861	\$ 165,273,601	\$ 563,824,462	\$ 122,246,318
Taxes receivable (net).....	92,127,526	11,365,480	103,493,006	-
Loans and notes receivable (net).....	169,625,607	1,009,470	170,635,077	193,538,855
Federal grants receivable.....	88,794,218	66,756	88,860,974	18,029,553
Other receivables (net).....	13,011,131	2,508,314	15,519,445	131,644,354
Investments.....	37,401,064	-	37,401,064	142,727,728
Inventories.....	2,672,771	4,993,652	7,666,423	235,025
Internal balances.....	2,009,880	(2,009,880)	-	-
Receivable from primary government.....	-	-	-	368,354
Receivable from component units.....	2,707,271	-	2,707,271	-
Other current assets.....	1,235,525	133,266	1,368,791	14,379,342
Total current assets.....	<u>808,135,854</u>	<u>183,340,659</u>	<u>991,476,513</u>	<u>623,169,529</u>
Noncurrent assets:				
Cash and cash equivalents.....	-	917,189	917,189	78,416,671
Taxes receivable.....	127,487,543	-	127,487,543	-
Other receivables.....	36,903,476	38,040	36,941,516	-
Loans and notes receivable.....	806,499	1,748,600	2,555,099	2,537,747,917
Investments.....	39,669,664	2,345,849	42,015,513	455,947,771
Other noncurrent assets.....	8,492,156	-	8,492,156	22,005,426
Capital assets:				
Land.....	72,939,991	-	72,939,991	29,500,456
Construction in progress.....	304,865,733	-	304,865,733	12,345,576
Works of art.....	136,003	-	136,003	-
Capital assets being depreciated:				
Infrastructure.....	1,356,179,525	-	1,356,179,525	21,093,971
Property, plant and equipment.....	501,606,367	1,451,876	503,058,243	933,144,243
Less accumulated depreciation.....	(832,880,080)	(868,147)	(833,748,227)	(368,098,099)
Total capital assets, net of depreciation.....	<u>1,402,847,539</u>	<u>583,729</u>	<u>1,403,431,268</u>	<u>627,986,147</u>
Total noncurrent assets.....	<u>1,616,206,877</u>	<u>5,633,407</u>	<u>1,621,840,284</u>	<u>3,722,103,932</u>
Total assets.....	<u>2,424,342,731</u>	<u>188,974,066</u>	<u>2,613,316,797</u>	<u>4,345,273,461</u>

	Primary Government			Discretely Presented Component Units	
	Governmental Activities	Business-type Activities	Total		
LIABILITIES					
Current liabilities:					
Accounts payable and other current liabilities.....	226,625,251	9,266,931	235,892,182	91,576,223	
Income tax refunds payable.....	70,541,287	-	70,541,287	-	
Payable to primary government.....	-	-	-	2,707,271	
Payable to component units.....	368,354	-	368,354	-	
Intergovernmental payable - due to federal government.....	8,124,107		8,124,107	-	
Accrued interest payable.....	7,866,086	-	7,866,086	4,443,832	
Current portion of long-term liabilities.....	88,229,346	704,708	88,934,054	130,223,796	
Deferred revenue.....	9,630,537	1,018,034	10,648,571	30,834,906	
Total current liabilities	<u>411,384,968</u>	<u>10,989,673</u>	<u>422,374,641</u>	<u>259,786,028</u>	
Long-term liabilities:					
Lottery prize awards payable.....	-	4,727,679	4,727,679	-	
Bonds, notes and leases payable.....	401,270,486	-	401,270,486	3,045,003,632	
Compensated absences.....	11,213,793	139,371	11,353,164	-	
Claims and judgments.....	24,398,753	-	24,398,753	-	
Other long-term liabilities.....	325,490,261	-	325,490,261	82,481,932	
Total long-term liabilities.....	<u>762,373,293</u>	<u>4,867,050</u>	<u>767,240,343</u>	<u>3,127,485,564</u>	
Total liabilities.....	<u>1,173,758,261</u>	<u>15,856,723</u>	<u>1,189,614,984</u>	<u>3,387,271,592</u>	
NET ASSETS					
Invested in capital assets, net of related debt.....	1,245,907,690	583,729	1,246,491,419	171,918,414	
Restricted for:					
Unemployment compensation.....	-	169,205,810	169,205,810	-	
Component unit net assets.....	-	-	-	605,213,884	
Funds held in permanent investments:					
Expendable.....	11,269,155	-	11,269,155	-	
Nonexpendable.....	7,416,453	-	7,416,453	-	
Budget stabilization.....	98,430,952	-	98,430,952	-	
Unrestricted.....	(112,439,780)	3,327,804	(109,111,976)	180,869,571	
Total net assets.....	<u>\$ 1,250,584,470</u>	<u>\$ 173,117,343</u>	<u>\$ 1,423,701,813</u>	<u>\$ 958,001,869</u>	

The accompanying notes are an integral part of these financial statements.

**STATE OF VERMONT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008**

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government.....	\$ 101,536,003	\$ 20,973,026	\$ 3,042,940	\$ -
Protection to persons & property.....	259,691,386	112,100,404	44,538,513	-
Human services.....	1,652,680,329	15,682,861	936,480,352	-
Labor.....	28,020,157	7,215,385	20,875,096	-
General education.....	1,614,446,803	1,891,730	110,156,924	-
Natural resources.....	95,657,166	25,513,793	22,204,932	8,582,528
Commerce & community development.....	36,953,754	509,618	10,875,195	-
Transportation.....	310,701,544	86,370,146	34,430,598	143,152,685
Public service enterprises.....	4,502,606	3,240,411	-	-
Interest on long-term debt.....	19,360,558	-	-	-
Total governmental activities.....	<u>4,123,550,306</u>	<u>273,497,374</u>	<u>1,182,604,550</u>	<u>151,735,213</u>
Business-type activities:				
Vermont Lottery Commission.....	79,595,887	102,000,627	-	-
Liquor Control.....	45,311,653	45,926,628	-	-
Unemployment Compensation.....	98,955,469	65,327,271	-	-
Other.....	3,139,932	3,027,266	-	-
Total business-type activities.....	<u>227,002,941</u>	<u>216,281,792</u>	<u>-</u>	<u>-</u>
Total primary government.....	<u>\$ 4,350,553,247</u>	<u>\$ 489,779,166</u>	<u>\$ 1,182,604,550</u>	<u>151,735,213</u>
Total component units.....	<u>\$ 979,578,671</u>	<u>\$ 537,193,654</u>	<u>\$ 344,597,739</u>	<u>\$ 14,506,269</u>

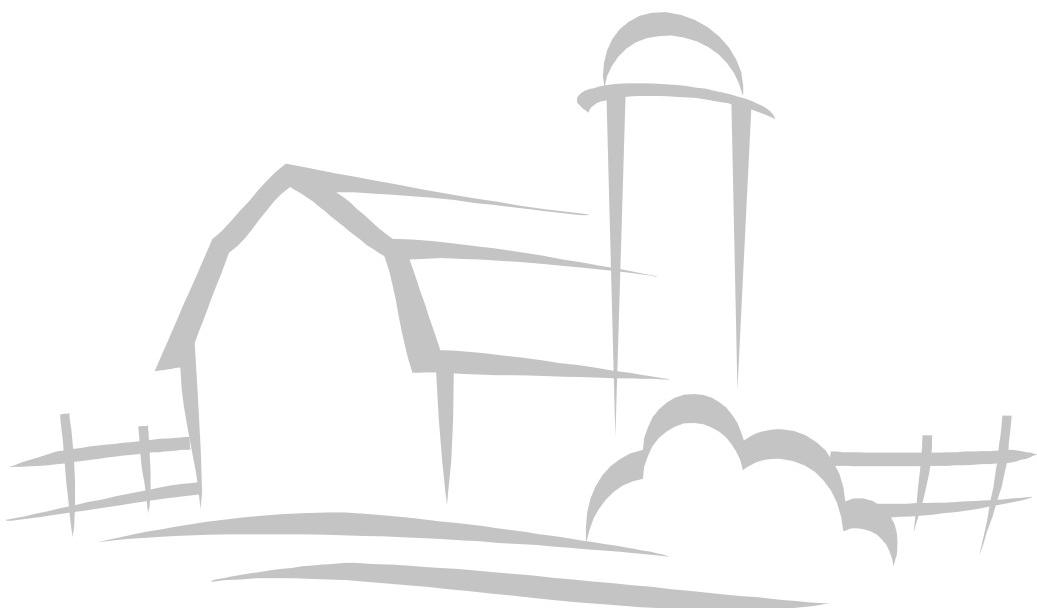
General Revenues:	
Taxes:	
Personal and corporate income.....	
Sales and use.....	
Meals and rooms.....	
Purchase and use.....	
Motor fuel.....	
Statewide education.....	
Other taxes.....	
Total taxes.....	
Unrestricted investment earnings.....	
Tobacco litigation settlement.....	
Additions to non-expendable endowments.....	
Miscellaneous.....	
Transfers.....	
Total general revenues and transfers.....	
Changes in net assets.....	
Net Assets - Beginning, restated (Note 17).....	
Net Assets - Ending.....	

The accompanying notes are an integral part of these financial statements.

**Net (Expense) Revenue and
Changes in Net Assets**

Primary Government			Discretely Presented Component Units
Governmental Activities	Business-type Activities	Total	
\$ (77,520,037)	\$ -	\$ (77,520,037)	\$ -
(103,052,469)	-	(103,052,469)	-
(700,517,116)	-	(700,517,116)	-
70,324	-	70,324	-
(1,502,398,149)	-	(1,502,398,149)	-
(39,355,913)	-	(39,355,913)	-
(25,568,941)	-	(25,568,941)	-
(46,748,115)	-	(46,748,115)	-
(1,262,195)	-	(1,262,195)	-
(19,360,558)	-	(19,360,558)	-
<u>(2,515,713,169)</u>	<u>-</u>	<u>(2,515,713,169)</u>	<u>-</u>
-	22,404,740	22,404,740	-
-	614,975	614,975	-
-	(33,628,198)	(33,628,198)	-
-	(112,666)	(112,666)	-
<u>-</u>	<u>(10,721,149)</u>	<u>(10,721,149)</u>	<u>-</u>
<u>(2,515,713,169)</u>	<u>(10,721,149)</u>	<u>(2,526,434,318)</u>	<u>-</u>
-	-	-	(83,281,009)
698,304,586	-	698,304,586	-
336,164,340	-	336,164,340	-
119,758,150	-	119,758,150	-
79,084,039	-	79,084,039	-
65,080,036	-	65,080,036	-
798,904,652	-	798,904,652	-
317,438,225	-	317,438,225	15,483,258
<u>2,414,734,028</u>	<u>-</u>	<u>2,414,734,028</u>	<u>15,483,258</u>
8,731,712	8,740,362	17,472,074	19,392,520
38,236,100	-	38,236,100	-
-	-	-	879,118
3,555,121	10,529	3,565,650	1,169,140
23,899,609	(23,899,609)	-	-
<u>2,489,156,570</u>	<u>(15,148,718)</u>	<u>2,474,007,852</u>	<u>36,924,036</u>
(26,556,599)	(25,869,867)	(52,426,466)	(46,356,973)
<u>1,277,141,069</u>	<u>198,987,210</u>	<u>1,476,128,279</u>	<u>1,004,358,842</u>
<u>\$ 1,250,584,470</u>	<u>\$ 173,117,343</u>	<u>\$ 1,423,701,813</u>	<u>\$ 958,001,869</u>

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Vermont



GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

**STATE OF VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008**

	General Fund	Transportation Fund	Education Fund	Special Fund
ASSETS:				
Cash and cash equivalents.....	\$ 81,643,676	\$ 11,697,916	\$ 41,738,039	\$ 82,136,958
Investments.....	-	-	-	44,001,504
Receivables:				
Taxes receivable (net).....	194,304,667	7,994,826	13,756,575	3,479,572
Accrued interest receivable.....	72,211	1,190	-	18,776
Notes and loans receivable.....	1,475,174	433,779	-	190,000
Other receivables (net).....	5,113,031	9,833,928	-	12,791,311
Intergovernmental receivable - federal				
Government (net).....	152,269	22,967,974	-	-
Due from other funds.....	3,639,580	544,994	-	758,337
Due from component units.....	2,675,808	-	-	31,463
Interfund receivable.....	37,470,933	-	-	-
Advances to other funds.....	324,300	-	-	-
Total assets.....	\$ 326,871,649	\$ 53,474,607	\$ 55,494,614	\$ 143,407,921
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable.....	\$ 22,180,763	\$ 21,743,670	\$ 12,711,059	\$ 14,691,511
Accrued liabilities.....	16,144,128	7,218,899	-	4,054,645
Retainage payable.....	25,324	406,540	-	1,023,013
Due to other funds.....	230,593	19,181	73,845	256,996
Due to component units.....	-	-	-	368,354
Intergovernmental payable - federal government.....	-	-	-	-
Tax refunds payable.....	3,175,148	-	-	106,755
Deferred revenue.....	129,392,769	10,472,889	2,407,220	6,324,591
Total liabilities.....	171,148,725	39,861,179	15,192,124	26,825,865
FUND BALANCES (DEFICITS):				
Reserved for:				
Encumbrances.....	4,454,203	436,469	-	9,864,245
Budget stabilization.....	57,839,077	11,199,306	29,392,569	-
Debt service.....	803,498	-	-	-
Advances and notes receivable.....	1,799,474	-	-	-
General and transportation fund surplus.....	18,975,000	624,787	-	-
Human caseload management.....	17,243,422	-	-	-
Endowments.....	-	-	-	-
Downtown housing tax credit.....	150,000	-	-	-
Unreserved:				
General Fund.....	54,458,250	-	-	-
Special revenue funds (deficit).....	-	1,352,866	10,909,921	106,717,811
Capital projects funds.....	-	-	-	-
Permanent funds.....	-	-	-	-
Total fund balances (deficit).....	155,722,924	13,613,428	40,302,490	116,582,056
Total liabilities and fund balances.....	\$ 326,871,649	\$ 53,474,607	\$ 55,494,614	\$ 143,407,921

The accompanying notes are an integral part of these financial statements.

Federal Revenue Fund	Global Commitment Fund	Non-major Governmental Funds	Eliminations	Total Governmental Funds
\$ 48,324,741 11,400,000	\$ 42,280,614 - - 22,414 168,333,153 2,136,479	\$ 42,039,429 21,669,224 79,429 4,583 - 455,276	\$ - - - - - -	\$ 349,861,373 77,070,728 219,615,069 119,174 170,432,106 47,053,718
65,400,686 462,012 - - - -	- 118,370 - - - -	273,289 7,037 - - - -	(2,491,580)	- 3,038,750 2,707,271 37,470,933 324,300
\$ 296,079,485	\$ 59,122,677	\$ 64,528,267	\$ (2,491,580)	\$ 996,487,640

\$	33,234,853	\$	80,090,082	\$	2,837,424	\$	-	\$	187,489,362
	6,574,139		2,919,987		650,329		-		37,562,127
	43,762		808,404		345,680		-		2,652,723
	1,834,685		264,977		10,250	(2,491,580)			198,947
	-		-		-		-		368,354
	8,124,107		-		-		-		8,124,107
	-		-		-		-		3,281,903
	176,511,860		11,130,282		5,090		-		336,244,701
\$	226,323,406	\$	95,213,732	\$	3,848,773	\$	(2,491,580)	\$	575,922,224

11,683,460	807,354	3,651,368	-	30,897,099
-	-	-	-	98,430,952
-	-	-	-	803,498
-	-	-	-	1,799,474
-	-	-	-	19,599,787
-	-	-	-	17,243,422
-	-	7,416,453	-	7,416,453
-	-	-	-	150,000
-	-	-	-	54,458,250
58,072,619	(36,898,409)	5,725,977	-	145,880,785
-	-	32,616,541	-	32,616,541
-	-	11,269,155	-	11,269,155
69,756,079	(36,091,055)	60,679,494	-	420,565,416
\$ 296,079,485	\$ 59,122,677	\$ 64,528,267	\$ (2,491,580)	\$ 996,487,640

State of Vermont
Reconciliation of Governmental Fund Balances
to the Statement of Net Assets - Governmental Activities
June 30, 2008

Total fund balances from previous page \$ **420,565,416**

Capital assets used in governmental activities (net of internal service funds' capital assets) are not considered financial resources for fund perspective reporting and, therefore, are not reported in the funds. Those assets consist of:

Land.....	72,913,835
Construction in progress.....	301,262,192
Depreciable capital assets and infrastructure, net of \$795,124,713 of accumulated depreciation.....	<u>996,618,688</u>
Capital assets, net of accumulated depreciation.....	1,370,794,715

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to certain funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.....

12,146,290

Amount presented in the statement of net assets relating to, but not in fund balances due to different basis of accounting include:

Long-term assets are not available to pay for current-period expenditures and therefore are reported as deferred revenues in the governmental funds.....	320,755,858
Deferred charge for unamortized bond issuance costs.....	2,150,127
Deferred for unamortized loss on sale of refunding bonds.....	6,342,029

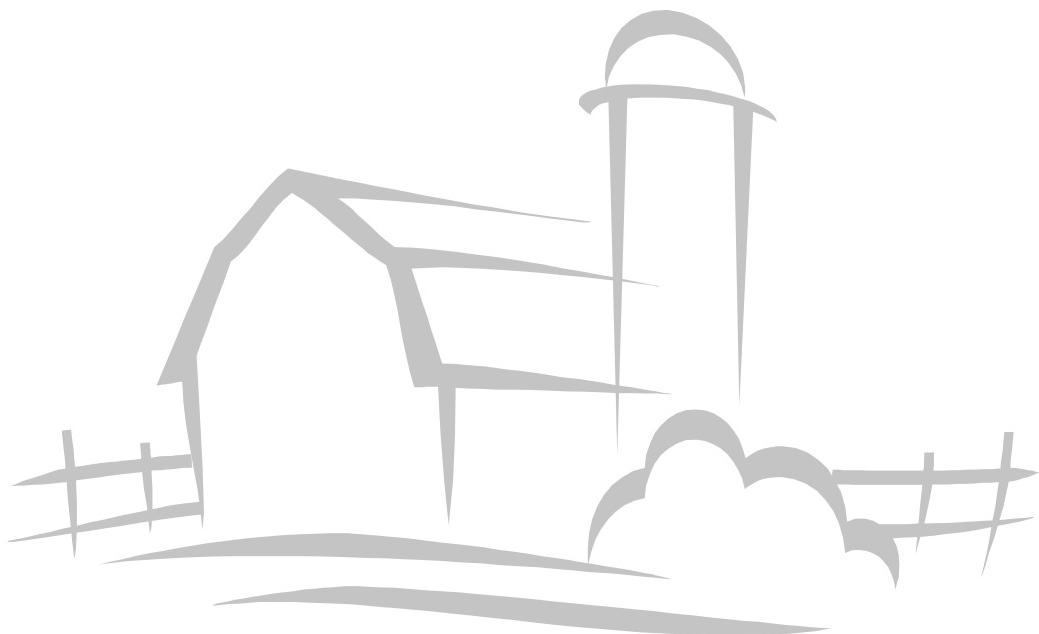
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not considered financial liabilities for fund perspective reporting, and therefore, are not reported in the funds. These liabilities include:

Bonded and capital lease debt.....	(454,854,110)
Accrued interest payable on bonds.....	(7,866,086)
Compensated absences (net of internal service funds' liability).....	(31,354,203)
Tax refunds payable.....	(67,259,384)
Other long-term liabilities.....	<u>(326,836,182)</u>
Long-term liabilities.....	(888,169,965)

Net assets of governmental activities..... \$ **1,250,584,470**

The accompanying notes are an integral part of these financial statements.

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Vermont

STATE OF VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	General Fund	Transportation Fund	Education Fund	Special Fund
REVENUES:				
Taxes:				
Personal income tax.....	\$ 620,824,418	\$ -	\$ -	\$ 687,724
Corporate income tax.....	71,264,721	-	-	-
Sales and use tax.....	223,562,992	-	113,049,701	-
Meals and rooms.....	120,326,831	-	-	-
Motor fuel tax.....	-	62,206,145	-	1,902,747
Purchase and use tax.....	-	52,723,463	26,360,576	-
Statewide education tax.....	-	-	798,904,652	-
Other taxes.....	129,486,171	19,276,963	1,945,534	165,605,440
Earnings of departments:				
Fees.....	14,730,309	5,187,240	-	41,342,819
Rents and leases.....	-	999,617	-	2,812,842
Sales of services.....	1,870,659	143,665	-	11,823,072
Federal grants.....	-	179,017,617	-	-
Fines, forfeits and penalties.....	4,448,280	7,483,568	-	10,018,265
Investment income.....	4,967,506	409,012	92,929	3,724,928
Licenses:				
Business.....	2,756,280	758,246	-	12,108,664
Non-business.....	91,229	71,752,643	-	2,444,699
Special assessments.....	-	-	-	44,802,264
Other revenues.....	1,748,259	2,423,227	-	69,349,012
Total revenues.....	1,196,077,655	402,381,406	940,353,392	366,622,476
EXPENDITURES:				
General government.....	69,737,590	41,604	-	12,928,964
Protection to persons and property.....	86,273,025	36,034,452	-	83,236,322
Human services.....	402,109,683	-	-	69,219,718
Labor.....	3,064,262	-	-	6,026,462
General education.....	142,781,544	254,966	1,252,529,110	21,154,252
Natural resources.....	26,845,590	-	-	28,650,288
Commerce and community development.....	17,715,916	-	-	6,674,026
Transportation.....	170,221	368,582,974	-	1,061,638
Public service enterprises.....	-	-	-	4,501,715
Debt service.....	64,205,317	1,996,862	-	2,495,850
Total expenditures.....	812,903,148	406,910,858	1,252,529,110	235,949,235
Excess of revenues over (under) expenditures.....	383,174,507	(4,529,452)	(312,175,718)	130,673,241
Other Financing Sources (Uses):				
Proceeds from the sale of bonds.....	-	-	-	-
Premium on sale of bonds.....	798,046	-	-	-
Proceeds from the sale of refunding bonds.....	29,011,368	-	-	183,632
Payment to bond escrow agent.....	(29,375,437)			
Transfers in.....	21,436,978	1,292,580	309,218,173	73,553,416
Transfers out.....	(412,352,330)	(3,510,512)	(4,700,000)	(203,068,936)
Total other financing sources (uses).....	(390,481,375)	(2,217,932)	304,518,173	(129,331,888)
Net change in fund balances.....	(7,306,868)	(6,747,384)	(7,657,545)	1,341,353
Fund balances, July 1 (deficit).....	163,029,792	20,360,812	47,960,035	115,240,703
Fund balances, June 30 (deficit).....	\$ 155,722,924	\$ 13,613,428	\$ 40,302,490	\$ 116,582,056

The accompanying notes are an integral part of these financial statements.

Federal Revenue Fund	Global Commitment Fund	Non-major Governmental Funds	Eliminations	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 621,512,142
-	-	-	-	71,264,721
-	-	-	-	336,612,693
-	-	-	-	120,326,831
-	-	972,009	-	65,080,901
-	-	-	-	79,084,039
-	-	-	-	798,904,652
-	-	-	-	316,314,108
-	-	183,920	-	61,444,288
-	-	47,283	-	3,859,742
-	-	-	-	13,837,396
1,132,027,191	-	6,887,374	-	1,317,932,182
-	-	21,509	-	21,971,622
2,148,819	-	650,427	-	11,993,621
-	-	1,310	-	15,624,500
-	-	6,165,998	-	80,454,569
-	-	-	-	44,802,264
5,702,960	-	798,024	-	80,021,482
1,139,878,970	-	15,727,854	-	4,061,041,753
2,662,165	175,000	8,565,536	-	94,110,859
43,130,707	1,353,675	3,167,257	-	253,195,438
390,032,994	776,567,716	2,580,687	-	1,640,510,798
17,965,580	-	-	-	27,056,304
110,391,122	5,420,658	14,777,124	-	1,547,308,776
25,936,245	-	22,886,066	-	104,318,189
11,074,598	-	1,835,984	-	37,300,524
-	-	101,893	-	369,916,726
-	-	-	-	4,501,715
-	-	-	-	68,698,029
601,193,411	783,517,049	53,914,547	-	4,146,917,358
538,685,559	(783,517,049)	(38,186,693)	-	(85,875,605)
-	-	46,000,000	-	46,000,000
-	-	-	-	798,046
-	-	-	-	29,195,000
-	-	-	-	(29,375,437)
5,245,533	801,513,791	479,754	(1,181,533,543)	31,206,682
(535,143,302)	(23,042,508)	(2,785,955)	1,181,533,543	(3,070,000)
(529,897,769)	778,471,283	43,693,799	-	74,754,291
8,787,790	(5,045,766)	5,507,106	-	(11,121,314)
60,968,289	(31,045,289)	55,172,388	-	431,686,730
\$ 69,756,079	\$ (36,091,055)	\$ 60,679,494	\$ -	\$ 420,565,416

State of Vermont
Reconciliation of Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds to the
Statement of Activities - Governmental Activities
For the Fiscal Year Ended June 30, 2008

Total net change in fund balances from the previous page..... \$ (11,121,314)

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period (net of internal service funds).

Capital outlay/functional expenditures and expensed net book value of disposed capital assets	142,775,092
Depreciation expense	(66,995,782)

Repayment of bond principal is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Principal repayment.....	51,355,000
Payment to refunding bond escrow agent.....	29,375,437

Bond proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.

Bonds issued.....	(46,000,000)
Refunding bonds issued.....	(29,195,000)
Bond premium is amortized over the life of the bonds in the statement of activities.....	554,448
Refunding bonds gain amortized over the life of the refunded bonds.....	(1,189,971)

Bond issuance costs are reported as expenditures in the governmental funds, but this cost is amortized over the life of the bonds in the statement of activities.....

256,586

Receivables in the governmental funds that are not available to provide current financial resources are not reported as revenues in the governmental funds.....

10,635,293

Estimated personal income tax refunds that are not due and payable are not governmental fund liabilities.....

(3,772,420)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Net decrease in accrued interest payable.....	(410,080)
Accreted interest on capital appreciation bonds.....	(1,769,972)
Increase in compensated absences.....	(1,174,787)
Increase in employer pension related costs.....	(8,861,739)
Increase in employer other postemployment benefits related costs.....	(89,729,537)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications to individual funds.

The net revenue (expense) of the internal service funds is reported with governmental activities.....	(5,056,025)
---	-------------

Notes and loans issued by governmental funds are reported as an expenditure in governmental funds and repayments are reported as a revenue in the governmental funds, but the issuances and repayment increase or decrease notes and loans receivable in the statement of net assets.....

3,768,172

Total changes in net assets of governmental activities as reported on the statement of activities.....

\$ (26,556,599)

The accompanying notes are an integral part of these financial statements.



PROPRIETARY FUNDS FINANCIAL STATEMENTS

STATE OF VERMONT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

Business-type Activities - Enterprise Funds			
	Unemployment Compensation Trust Fund	Liquor Control Fund	Vermont Lottery Commission
ASSETS			
Current Assets:			
Cash and cash equivalents.....	\$ 160,674,172	\$ 1,940,790	\$ 2,250,688
Receivables:			
Taxes receivable (net of allowance for uncollectibles).....	11,365,480	-	-
Accrued interest receivable.....	-	-	-
Accounts receivable (net of allowance for uncollectibles).....	406,817	160,586	1,629,558
Loans receivable.....	-	-	-
Due from other funds.....	-	15,981	26,682
Intergovernmental receivable - federal.....	66,756	-	-
Inventories, at cost.....	-	4,287,919	351,925
Prepaid expenses.....	-	-	-
Total current assets.....	172,513,225	6,405,276	4,258,853
Restricted and Noncurrent Assets:			
Cash-subscription reserve fund.....	-	-	-
Investments.....	-	-	2,345,849
Loans receivable.....	-	-	-
Accounts receivable - subscriptions.....	-	-	-
Imprest cash and change fund - advances.....	-	6,300	300,000
Capital Assets:			
Land.....	-	-	-
Construction in progress	-	-	-
Capital assets being depreciated:			
Machinery, equipment and buildings.....	-	1,152,494	277,742
Less accumulated depreciation.....	-	(637,376)	(210,540)
Total capital assets, net of depreciation	-	515,118	67,202
Total restricted & noncurrent assets.....	-	521,418	2,713,051
Total assets.....	172,513,225	6,926,694	6,971,904
LIABILITIES			
Current Liabilities:			
Accounts payable.....	1,601,462	4,686,830	524,556
Accrued salaries and benefits.....	-	469,499	159,079
Claims payable.....	-	-	-
Due to lottery winners.....	-	-	487,209
Due to agents.....	-	247,881	-
Due to other funds.....	41,504	334,456	-
Interfund payable.....	-	-	-
Future and unclaimed prizes payable.....	-	-	3,040,848
Deferred revenue.....	-	-	182,445
Other liabilities.....	1,664,449	-	-
Total current liabilities.....	3,307,415	5,738,666	4,394,137
Liabilities Payable From Restricted Assets:			
Unexpired subscriptions.....	-	-	-
Due to lottery winners.....	-	-	1,686,831
Advances from other funds.....	-	6,300	300,000
Total liabilities payable from restricted assets.....	-	6,300	1,986,831
Total liabilities.....	3,307,415	5,744,966	6,380,968
NET ASSETS			
Invested in capital assets.....	-	515,118	67,202
Restricted for unemployment compensation benefits.....	169,205,810	-	-
Unrestricted (deficit).....	-	666,610	523,734
Total net assets.....	\$ 169,205,810	\$ 1,181,728	\$ 590,936

The accompanying notes are an integral part of these financial statements.

Business-type Activities - Enterprise Funds				Governmental Activities	
Non-major Enterprise Funds		Eliminations	Total Enterprise Funds	Total Internal Service Funds	
\$	407,951	\$	-	\$	\$ 48,674,388
			11,365,480		-
39,307		-	39,307	39,880	
272,046		-	2,469,007	10,929,864	
1,009,470		-	1,009,470	-	
61,219	(41,504)		62,378	-	
-		-	66,756	-	
353,808		-	4,993,652	2,672,771	
133,266		-	133,266	1,235,525	
2,277,067	(41,504)		185,412,917	63,552,428	
607,989		-	607,989	-	
-		-	2,345,849	-	
1,748,600		-	1,748,600	-	
38,040		-	38,040	-	
2,900		-	309,200	15,100	
-		-	-	26,156	
-		-	-	3,603,541	
21,640		-	1,451,876	66,178,494	
(20,231)		-	(868,147)	(37,755,367)	
1,409	-		583,729	32,052,824	
2,398,938	-		5,633,407	32,067,924	
4,676,005	(41,504)		191,046,324	95,620,352	
151,184		-	6,964,032	5,308,314	
118,861		-	747,439	3,488,969	
-		-	-	35,832,296	
-		-	487,209	-	
-		-	247,881	-	
-	(41,504)		334,456	2,729,452	
1,436,749		-	1,436,749	35,950,090	
-		-	3,040,848	-	
227,600		-	410,045	141,694	
-		-	1,664,449	-	
1,934,394	(41,504)		15,333,108	83,450,815	
607,989		-	607,989	-	
-		-	1,686,831	-	
2,900		-	309,200	15,100	
610,889	-		2,604,020	15,100	
2,545,283	(41,504)		17,937,128	83,465,915	
1,409		-	583,729	32,052,824	
-		-	169,205,810	-	
2,129,313		-	3,319,657	(19,898,387)	
\$ 2,130,722	\$ -		\$ 173,109,196	\$ 12,154,437	
Adjustment to reflect the consolidation of internal service activities related to enterprise funds			8,147		
Net Assets - Business-type Activities.....			\$ 173,117,343		

STATE OF VERMONT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Business-type Activities - Enterprise Funds		
	Unemployment Compensation Trust Fund	Liquor Control Fund	Vermont Lottery Commission
Operating Revenues			
Charges for sales and services.....	\$ 65,327,271	\$ 42,746,145	\$ -
Ticket sales.....	-	-	101,985,237
Rental income.....	-	-	-
License fees.....	-	1,085,565	-
Federal donated property.....	-	-	-
Advertising revenue.....	-	-	-
Other operating revenues.....	-	2,094,918	15,390
Total operating revenues.....	65,327,271	45,926,628	102,000,627
Operating Expenses			
Cost of sales and services.....	-	35,173,958	-
Claims expense.....	98,853,537	-	-
Lottery ticket prizes.....	-	-	64,759,920
Agents commissions and fees.....	-	-	5,969,099
Tri-State (megabucks) and MUSL (powerball) expenses..	-	-	2,425,926
Lottery tickets.....	-	-	1,270,445
Salaries and benefits	-	-	1,285,947
Insurance premium expense.....	-	-	-
Transportation.....	-	-	233,816
Contractual services.....	-	-	-
Repairs and maintenance.....	-	-	-
Warehouse expense.....	-	1,138,911	-
Depreciation.....	-	165,856	23,812
Rental expense.....	-	-	57,487
Utilities and property management.....	-	-	-
Non-capital equipment purchased.....	-	-	-
Stores and agencies expense.....	-	5,359,323	-
Promotions and advertising.....	-	-	459,324
Administrative expenses.....	-	1,679,714	2,095,152
Inspection and enforcement expense.....	-	1,780,548	-
Supplies and parts.....	-	-	13,168
Distribution and postage.....	-	-	-
Travel.....	-	-	-
Loss on bad debts.....	101,932	-	-
Other operating expenses.....	-	3,490	1,004,046
Total operating expenses.....	98,955,469	45,301,800	79,598,142
Operating income (loss).....	(33,628,198)	624,828	22,402,485
Non-Operating Revenues (Expenses)			
Gain (loss) on disposal of capital assets.....	-	10,529	-
Investment income (expense).....	8,404,302	-	325,053
Total non-operating revenues (expenses).....	8,404,302	10,529	325,053
Income (loss) before contributions and transfers.....			
	(25,223,896)	635,357	22,727,538
Capital contributions from (to) other funds.....	-	-	-
Transfer in.....	-	-	-
Transfer out.....	(402,382)	(836,519)	(22,717,382)
Changes in net assets.....	(25,626,278)	(201,162)	10,156
Total net assets, July 1.....	194,832,088	1,382,890	580,780
Total net assets, June 30.....	\$ 169,205,810	\$ 1,181,728	\$ 590,936

The accompanying notes are an integral part of these financial statements.

Business-type Activities - Enterprise Funds				Governmental Activities	
Non-major Enterprise Funds		Total Enterprise Funds		Total Internal Service Funds	
	Funds	Eliminations			
\$	1,631,463	\$	-	\$ 109,704,879	\$ 205,392,248
	-		-	101,985,237	-
	-		-	-	12,475,743
	-		-	1,085,565	-
	614,582	-	-	614,582	-
	608,726	-	-	608,726	-
	172,495	-	-	2,282,803	2,692,700
	3,027,266	-	-	216,281,792	220,560,691
	1,159,042	-	-	36,333,000	26,748,926
	-		-	98,853,537	111,953,086
	-		-	64,759,920	-
	-		-	5,969,099	-
	-		-	2,425,926	-
	-		-	1,270,445	-
	945,799	-	-	2,231,746	30,256,806
	-		-	-	6,168,864
	55,848	-	-	289,664	-
	16	-	-	16	4,092,374
	1,183	-	-	1,183	3,239,356
	-		-	1,138,911	-
	1,780	-	-	191,448	7,734,632
	37,066	-	-	94,553	2,254,653
	10,341	-	-	10,341	11,293,905
	32	-	-	32	3,460,859
	-		-	5,359,323	-
	404,010	-	-	863,334	-
	215,286	-	-	3,990,152	8,822,655
	-		-	1,780,548	-
	21,654	-	-	34,822	9,563,000
	225,062	-	-	225,062	-
	12,954	-	-	12,954	249,977
	4,350	-	-	106,282	-
	40,623	-	-	1,048,159	570,250
	3,135,046	-	-	226,990,457	226,409,343
	(107,780)	-	-	(10,708,665)	(5,848,652)
	-	-	-	10,529	12,027
	11,007	-	-	8,740,362	1,455,155
	11,007	-	-	8,750,891	1,467,182
	(96,773)	-	-	(1,957,774)	(4,381,470)
	-		-	-	6,940
	402,382	(402,382)	-	-	3,070,000
	(345,708)	402,382	-	(23,899,609)	(3,763,979)
	(40,099)	-	-	(25,857,383)	(5,068,509)
	2,170,821	-	-	198,966,579	17,222,946
	\$ 2,130,722	\$ -	\$ -	\$ 173,109,196	\$ 12,154,437
Total change in net assets reported above.....				(25,857,383)	
Consolidation adjustment of internal service activities related to enterprise funds.....				(12,484)	
Change in net assets - business-type activities.....				\$ (25,869,867)	

**STATE OF VERMONT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Business-type Activities - Enterprise Funds		
	Unemployment Compensation Trust Fund	Liquor Control Fund	Vermont Lottery Commission
Cash Flows from Operating Activities:			
Cash received from customers.....	\$ 57,819,361	\$ 58,449,332	\$ 101,874,682
Cash paid to suppliers for goods and services.....	-	(41,497,175)	-
Cash paid to employees for services.....	-	(3,624,002)	(1,264,060)
Cash paid for prizes and commissions.....	-	-	(70,459,082)
Cash paid to claimants.....	(90,913,154)	-	-
Liquor taxes and licenses paid.....	-	(14,630,823)	-
Cash paid for fees, operations and other.....	-	-	(7,665,577)
Other operating revenues (expenses).....	(8,941)	2,091,428	15,390
Net cash provided (used) by operating activities.....	(33,102,734)	788,760	22,501,353
Cash Flows from Noncapital Financing Activities:			
Operating transfers in (out).....	(392,309)	(836,519)	(22,856,438)
Interfund loans and advances.....	-	-	-
Net cash provided (used) by noncapital financing activities.....	(392,309)	(836,519)	(22,856,438)
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets.....	-	(363,350)	-
Proceeds from sale of capital assets.....	-	10,881	-
Net cash provided (used) by capital and related financing activities.....	-	(352,469)	-
Cash Flows From Investing Activities:			
Interest and dividends on investments.....	8,404,302	-	397,199
Proceeds from sales/maturities of investments.....	-	-	245,072
Interest & penalties received (paid).....	-	-	-
Excess cash transferred.....	-	-	-
Net cash provided (used) by investing activities.....	8,404,302	-	642,271
Net increase (decrease) in cash and cash equivalents.....	(25,090,741)	(400,228)	287,186
Cash and cash equivalents at July 1.....	185,764,913	2,347,318	2,263,502
Cash and cash equivalents at June 30 (see note below).....	\$ 160,674,172	\$ 1,947,090	\$ 2,550,688
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss).....	\$ (33,628,198)	\$ 624,828	\$ 22,402,485
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization.....	-	165,856	23,812
(Increase) decrease in accounts/taxes receivable.....	463,250	(20,885)	(136,701)
(Increase) decrease in loans receivable.....	-	-	-
(Increase) decrease in accrued interest receivable.....	-	-	-
(Increase) decrease in due from other funds.....	-	(15,981)	(3,169)
(Increase) decrease in inventory.....	-	64,271	37,568
(Increase) decrease in prepaid expenses.....	-	-	-
(Increase) decrease in intergovernmental receivable - federal.....	42,062	-	-
Increase (decrease) in accounts payable.....	-	(80,109)	(103,045)
Increase (decrease) in accrued salaries and benefits.....	-	82,873	21,887
Increase (decrease) in claims payable.....	197,070	-	-
Increase (decrease) in due to lottery winners.....	-	-	(388,756)
Increase (decrease) in due to agents.....	-	(91,509)	-
Increase (decrease) in future and unclaimed prizes payable.....	-	-	621,125
Increase (decrease) in due to other funds.....	-	59,416	-
Increase (decrease) in deferred revenue.....	-	-	26,147
Increase (decrease) in other liabilities.....	(176,918)	-	-
Increase (decrease) in subscription reserves.....	-	-	-
Total adjustments.....	525,464	163,932	98,868
Net cash provided (used) by operating activities.....	\$ (33,102,734)	\$ 788,760	\$ 22,501,353

NOTE: Total cash/cash equivalents at June 30 on the cash flow statement is equal to cash/cash equivalents, cash-subscription reserve fund, and imprest cash on the Statement of Net Assets.

The accompanying notes are an integral part of these financial statements.

Business-type Activities - Enterprise Funds			Governmental Activities	
Non-major Enterprise Funds		Total Enterprise Funds	Total Internal Service Funds	
\$ 3,358,451	\$ (3,247,007)	\$ 221,501,826	\$ 221,510,317	
(924,839)		(44,744,182)	(73,419,389)	
-		(5,812,901)	(29,916,815)	
-		(70,459,082)	-	
-		(90,913,154)	(109,830,080)	
-		(14,630,823)	-	
-		(7,665,577)	-	
56,113		2,153,990	2,122,450	
(757,282)		(10,569,903)	10,466,483	
(1,290)		(24,086,556)	(693,979)	
233,356		233,356	1,037,420	
232,066		(23,853,200)	343,441	
-		(363,350)	(8,041,572)	
-		10,881	671,684	
-		(352,469)	(7,369,888)	
11,008		8,812,509	1,581,534	
-		245,072	-	
392,309		392,309	-	
(344,418)		(344,418)	-	
58,899		9,105,472	1,581,534	
(466,317)		(25,670,100)	5,021,570	
1,485,157		191,860,890	43,667,918	
\$ 1,018,840		\$ 166,190,790	\$ 48,689,488	
\$ (107,780)		\$ (10,708,665)	\$ (5,848,652)	
1,780		191,448	7,734,632	
11,895		317,559	3,998,935	
(522,006)		(522,006)	-	
(24,632)		(24,632)	-	
(18,000)		(37,150)	(356,609)	
45,732		147,571	183,585	
(25,967)		(25,967)	(270,916)	
-		42,062	-	
(7,387)		(190,541)	(330,096)	
20,960		125,720	339,992	
-		197,070	2,123,006	
-		(388,756)	-	
-		(91,509)	-	
-		621,125	-	
-		59,416	2,939,930	
(112,039)		(85,892)	(47,324)	
		(176,918)	-	
(19,838)		(19,838)	-	
(649,502)		138,762	16,315,135	
\$ (757,282)		\$ (10,569,903)	\$ 10,466,483	

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Vermont



**FIDUCIARY FUNDS
FINANCIAL STATEMENTS**

STATE OF VERMONT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

	Pension and Other Postemployment Benefits Trust Funds	Investment Trust Fund	Private Purpose Trust Fund	Unclaimed Property Fund	Agency Funds
ASSETS					
Cash and cash equivalents.....	\$ 15,141,694	\$ -	\$ 4,317,256	\$ 4,904,565	-
Investments at fair value.....	3,228,223,497	117,750,454	1,773,103		
Receivables:					
Taxes.....	-	-	-	-	2,189,808
Contributions - current.....	8,687,492	-	-	-	-
Contributions - non-current.....	11,051,031	-	-	-	-
Interest and dividends.....	1,172,565	-	-	-	-
Investments sold.....	4,112,227	-	-	-	-
Other.....	264,169	-	-	-	422,431
Due from other funds.....	152,269	-	263	23,165	-
Prepaid expenses.....	2,744,451	-	-	-	-
Other assets.....	-	22,211	837,540	-	-
Capital assets:					
Construction in progress.....	2,407,498	-	-	-	-
Capital assets being depreciated:					
Equipment.....	183,814	-	-	-	-
Less accumulated depreciation.....	(71,994)	-	-	-	-
Total capital assets, net of depreciation.....	<u>2,519,318</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets.....	<u>3,274,068,713</u>	<u>117,772,665</u>	<u>6,928,162</u>	<u>7,539,969</u>	
LIABILITIES					
Liabilities:					
Accounts payable.....	2,624,933	104,235	25,562	-	-
Accrued liabilities.....	-	-	15,160	-	-
Claims payable.....	-	-	5,457,396	-	-
Due to other funds.....	-	-	13,970	-	-
Retainage.....	220,533	-	-	-	-
Interfund loans payable.....	-	-	-	84,094	-
Due to depositories.....	-	-	-	49,418	-
Intergovernmental payable - other governments.....	-	-	-	3,094,799	-
Amounts held in custody for others.....	-	-	-	3,094,795	-
Payable for investments purchased.....	11,027,296	-	-	-	-
Other liabilities.....	-	-	-	1,216,863	-
Total liabilities.....	<u>13,872,762</u>	<u>104,235</u>	<u>5,512,088</u>	<u>\$ 7,539,969</u>	
NET ASSETS HELD IN TRUST FOR:					
Employees' pension benefits.....	\$ 3,247,885,108	\$ -	\$ -	\$ -	-
Employees' other postemployment benefits.....	12,310,843	-	-	-	-
Pool participants.....	-	117,668,430	-	-	-
Individuals, organizations and other governments.....	-	-	1,416,074	-	-
Net assets held in trust for benefits & other purposes.....	<u>\$ 3,260,195,951</u>	<u>\$ 117,668,430</u>	<u>\$ 1,416,074</u>		

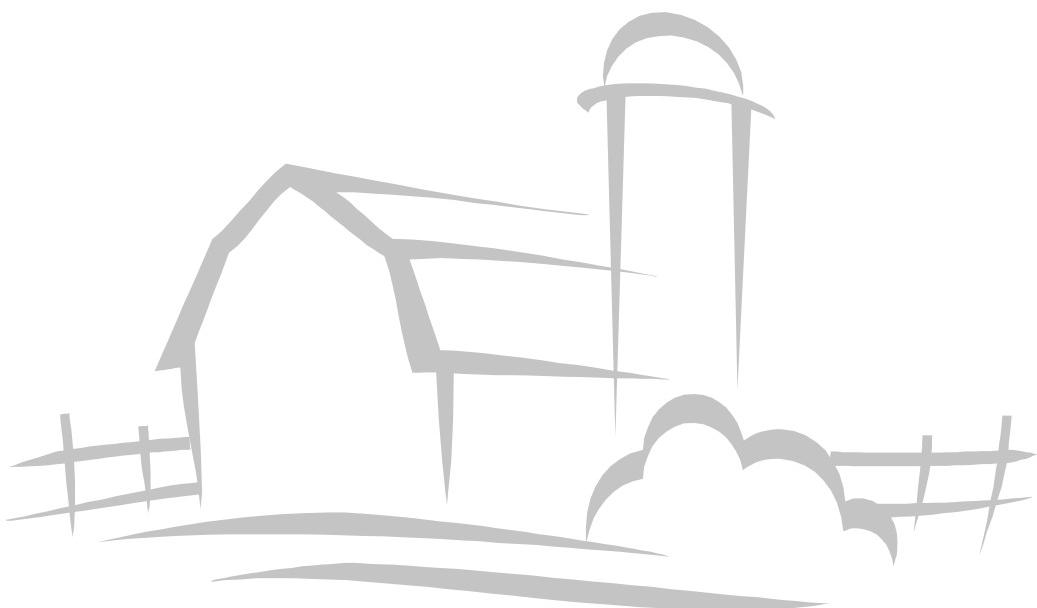
The accompanying notes are an integral part of these financial statements.

STATE OF VERMONT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Pension and Other Postemployment Benefits Trust Funds	Investment Trust Fund	Private Purpose Trust Fund	Unclaimed Property Fund
ADDITIONS				
Contributions:				
Employer - pension benefit.....	\$ 49,695,432	\$ -	\$ -	-
Employer - healthcare benefit.....	42,313,769	-	-	-
Plan member.....	52,757,383	-	-	-
Transfers from non-state systems.....	248,120	-	-	-
Medicare part D drug subsidy.....	1,406,469	-	-	-
Total contributions.....	<u>146,421,173</u>	<u>-</u>	<u>-</u>	<u>-</u>
Investment Income:				
Net appreciation (depreciation) in fair value of investments.....	74,679,550	-	-	-
Loss from investment pool.....	(325,315,187)	(12,429,447)	-	-
Dividends.....	14,696,449	-	-	-
Interest income.....	29,455,616	-	154,539	-
Securities lending income.....	5,470,999	22,211	-	-
Other income.....	1,157,229	-	-	-
Less Investment Expenses:				
Investment managers and consultants.....	(12,080,451)	(98,674)	-	-
Securities lending expenses.....	(1,367,169)	(5,561)	-	-
Net investment income (loss).....	<u>(213,302,964)</u>	<u>(12,511,471)</u>	<u>154,539</u>	
Pool participant deposits.....	-	130,179,901		
Escheat property remittances.....	-	-	<u>4,746,138</u>	
Total additions.....	<u>(213,302,964)</u>	<u>117,668,430</u>	<u>4,900,677</u>	
DEDUCTIONS				
Retirement benefits.....	166,690,118	-	-	-
Other post employment benefits.....	32,114,682	-	-	-
Refunds of contributions.....	3,838,256	-	-	-
Death claims.....	941,658	-	-	-
Depreciation.....	71,994	-	-	-
Operating expenses.....	2,750,764	-	595,443	-
Transfers out.....	-	-	3,543,094	-
Total deductions.....	<u>206,407,472</u>	<u>-</u>	<u>4,138,537</u>	
Change in net assets held in trust for:				
Employees' pension benefits.....	(283,389,232)	-	-	-
Employees' other postemployment benefits.....	10,099,969	-	-	-
Pool participants.....	-	117,668,430	-	-
Individual, organizations and other governments.....	-	-	762,140	-
Net Assets, July 1.....	<u>3,533,485,214</u>	<u>-</u>	<u>653,934</u>	
Net Assets, June 30.....	<u>\$ 3,260,195,951</u>	<u>\$ 117,668,430</u>	<u>\$ 1,416,074</u>	

The accompanying notes are an integral part of these financial statements.

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Vermont



***Component Units
Financial Statements***

STATE OF VERMONT
STATEMENT OF NET ASSETS
COMPONENT UNITS
June 30, 2008

	Vermont Student Assistance Corporation	University of Vermont and State Agricultural College	Vermont State Colleges	Non-major Component Units	Total Component Units
ASSETS					
Current Assets:					
Cash and cash equivalents.....	\$ 90,587,000	\$ 4,589,000	\$ 2,211,713	\$ 24,858,605	\$ 122,246,318
Investments.....	2,762,000	112,117,000	16,158,667	11,690,061	142,727,728
Accounts receivable (net).....	-	45,654,000	7,894,377	1,947,245	55,495,622
Accrued interest receivable - loans.....	55,255,000	-	-	16,723,348	71,978,348
Accrued interest receivable - investments.....	215,000	-	-	-	215,000
Loans and notes receivable - current portion.....	142,177,000	3,495,000	-	47,866,855	193,538,855
Other receivables.....	869,000	3,024,000	-	62,384	3,955,384
Due from federal government.....	440,000	-	-	17,589,553	18,029,553
Due from primary government.....	-	-	-	368,354	368,354
Inventories (at cost).....	-	-	128,285	106,740	235,025
Other current assets.....	1,634,000	10,822,000	1,047,703	875,639	14,379,342
Total current assets.....	293,939,000	179,701,000	27,440,745	122,088,784	623,169,529
Restricted and Non-Current Assets:					
Cash and cash equivalents.....	-	3,535,000	72,306,063	2,575,608	78,416,671
Investments.....	-	362,183,000	31,699,590	62,065,181	455,947,771
Deferred bond issue costs.....	9,277,000	-	-	5,883,049	15,160,049
Loans and notes receivable (net).....	1,906,343,000	33,575,000	5,146,931	592,682,986	2,537,747,917
Other assets.....	-	6,075,000	765,060	5,317	6,845,377
Total restricted and noncurrent assets.....	1,915,620,000	405,368,000	109,917,644	663,212,141	3,094,117,785
Capital Assets:					
Land.....	3,150,000	20,499,000	5,287,848	563,608	29,500,456
Construction in process.....	-	5,727,000	6,527,903	90,673	12,345,576
Building and leasehold improvements.....	16,711,000	591,425,000	138,164,245	19,329,338	765,629,583
Equipment, furniture and fixtures.....	9,742,000	142,089,000	12,139,139	3,544,521	167,514,660
Infrastructure.....	-	-	21,093,971	-	21,093,971
Accumulated depreciation.....	(7,316,000)	(256,407,000)	(91,828,974)	(12,546,125)	(368,098,099)
Total capital assets, net of depreciation.....	22,287,000	503,333,000	91,384,132	10,982,015	627,986,147
Total assets.....	2,231,846,000	1,088,402,000	228,742,521	796,282,940	4,345,273,461
LIABILITIES					
Current Liabilities:					
Accounts payable and accrued liabilities.....	6,809,000	52,541,000	14,665,629	2,982,709	76,998,338
Accrued interest payable.....	-	-	-	173,364	173,364
Bond interest payable.....	2,506,000	-	-	1,764,468	4,270,468
Deferred revenue.....	6,331,000	16,611,000	7,727,749	165,157	30,834,906
Current portion of long-term liabilities.....	1,670,000	7,159,000	2,544,738	118,850,058	130,223,796
Due to primary government.....	-	-	-	2,707,271	2,707,271
Escrowed cash deposits.....	-	-	-	167,000	167,000
Other current liabilities.....	-	-	-	14,410,885	14,410,885
Total current liabilities.....	17,316,000	76,311,000	24,938,116	141,220,912	259,786,028
Restricted and Non-Current Liabilities:					
Bonds, notes and leases payable.....	2,064,295,000	412,877,000	117,967,271	449,864,361	3,045,003,632
Accounts payable and accrued liabilities.....	-	15,383,000	568,809	-	15,951,809
Accrued arbitrage rebate.....	25,390,000	-	-	1,177,386	26,567,386
Other liabilities.....	-	26,292,000	13,639,773	30,964	39,962,737
Total liabilities payable from restricted assets.....	2,089,685,000	454,552,000	132,175,853	451,072,711	3,127,485,564
Total liabilities.....	2,107,001,000	530,863,000	157,113,969	592,293,623	3,387,271,592
NET ASSETS					
Invested in capital assets, net of related debt.....	2,475,000	115,623,000	46,201,088	7,619,326	171,918,414
Restricted.....	62,302,000	356,834,000	16,606,171	169,471,713	605,213,884
Unrestricted.....	60,068,000	85,082,000	8,821,293	26,898,278	180,869,571
Total net assets.....	\$ 124,845,000	\$ 557,539,000	\$ 71,628,552	\$ 203,989,317	\$ 958,001,869

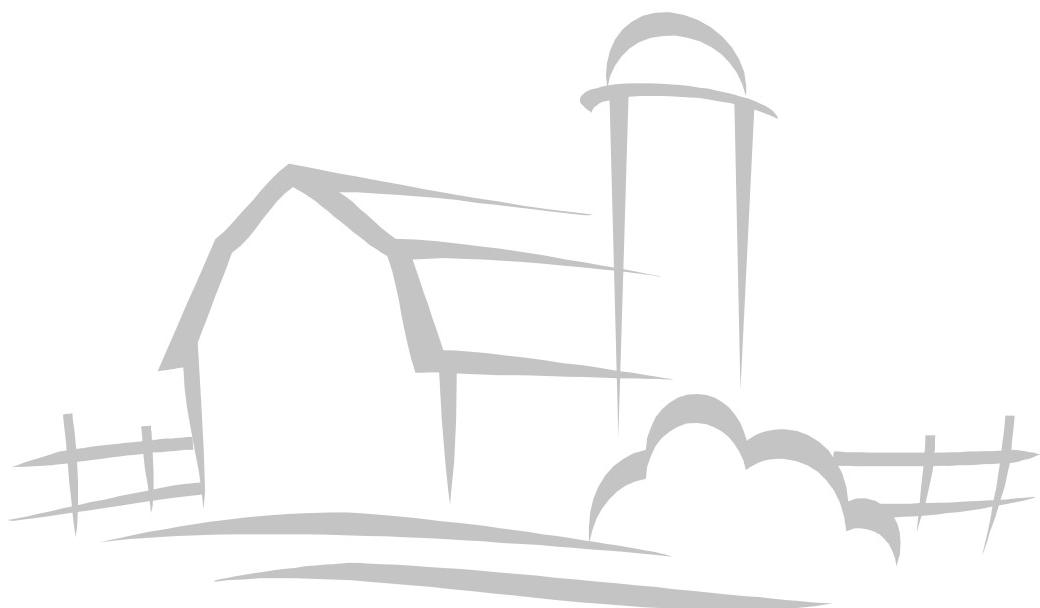
The accompanying notes are an integral part of these financial statements.

STATE OF VERMONT
STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2008

	Vermont Student Assistance Corporation	University of Vermont and State Agricultural College	Vermont State Colleges	Non-major Component Units	Total Component Units
Expenses:					
Salaries and benefits.....	\$ 25,895,000	\$ 341,589,000	\$ 100,836,226	\$ 16,888,210	\$ 485,208,436
Other expenses.....	45,291,000	165,313,000	41,498,632	23,364,375	275,467,007
Scholarships, grants and fellowships.....	26,345,000	12,551,000	4,775,192	-	43,671,192
Depreciation.....	1,467,000	26,094,000	5,594,586	750,096	33,905,682
Interest on debt.....	100,478,000	14,414,000	1,909,835	24,524,519	141,326,354
Total expenses.....	199,476,000	559,961,000	154,614,471	65,527,200	979,578,671
Program Revenues:					
Charges for services.....	106,106,000	290,105,000	95,771,945	45,210,709	537,193,654
Operating grants and contributions.....	71,709,000	207,330,000	53,296,096	12,262,643	344,597,739
Captial grants and contributions.....	-	10,112,000	2,737,097	1,657,172	14,506,269
Total program revenues.....	177,815,000	507,547,000	151,805,138	59,130,524	896,297,662
Net revenue (expense).....	(21,661,000)	(52,414,000)	(2,809,333)	(6,396,676)	(83,281,009)
General Revenues:					
Property transfer tax.....	-	-	-	15,483,258	15,483,258
Investment income.....	7,676,000	4,154,000	231,571	7,330,949	19,392,520
Additions to non-expendable endowments.....	-	-	879,118	-	879,118
Miscellaneous.....	-	-	-	1,169,140	1,169,140
Total general revenues.....	7,676,000	4,154,000	1,110,689	23,983,347	36,924,036
Changes in net assets.....	(13,985,000)	(48,260,000)	(1,698,644)	17,586,671	(46,356,973)
Net assets - beginning, restated (Note 17)...	138,830,000	605,799,000	73,327,196	186,402,646	1,004,358,842
Net assets - ending.....	\$ 124,845,000	\$ 557,539,000	\$ 71,628,552	\$ 203,989,317	\$ 958,001,869

The accompanying notes are an integral part of these financial statements.

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Vermont

**State of Vermont
Notes to the Financial Statements
Fiscal Year Ended June 30, 2008**

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STATE OF VERMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the State of Vermont (State) have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). Newly implemented in these statements are the requirements of GASB Statement No. 45 – “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,” and Statement No. 50 – “Pension Disclosures – An Amendment of GASB Statements No. 25 and 27.” As a result, the State has made changes in its measurement, recognition, and display of postemployment benefits (OPEB) expenses and related liabilities, and note disclosures and Required Supplementary Information (RSI) associated with OPEB and pension obligations. See note 5 for more detailed information.

The accompanying financial statements present the financial position of the State, the results of operations of the State and the various funds and fund types, and the cash flows of the various proprietary funds. The financial statements are presented as of and for the period ending June 30, 2008.

A. Reporting Entity

The financial statements include the various agencies, boards, commissions, public trusts, and authorities of the State as well as legally separate entities over which the State’s executive, legislative, and judicial branches exercise oversight responsibility. Oversight responsibility as defined by GASB includes the following considerations:

- Financial interdependency
- Selection of governing authority
- Designation of management
- Ability to significantly influence operations
- Accountability for fiscal matters

In addition, the following criteria were considered during the evaluation of the legally separate entities for inclusion in the CAFR as Component Units:

the scope of public services as to whether its activity benefits the State or its citizens, and whether the activity is conducted within the geographic boundaries of Vermont and is generally available to Vermont residents; and

the existence of any special relationships regardless of whether the government exercises oversight responsibility that would cause the State’s financial statements to be misleading or incomplete if the entity’s financial activity were to be omitted.

Entities that may meet only one of the above criteria have not been included in this report.

As required by generally accepted accounting principles, these financial statements present the primary government and component units of the State of Vermont.

COMPONENT UNITS

Component Units are entities that, although legally separate from the State, have been included because they are either financially accountable to the State, or have relationships with the State such that exclusion would cause the State’s financial statements to be misleading or incomplete. Their activity may be “blended” into the activity of the primary government or may be reported separately. If they are reported separately, they are called “discretely presented component units.” Vermont does not report any blended component units in this CAFR but does report discretely presented component units, some of whom report blended component units in

their respective financial statements (See the Vermont Municipal Bond Bank). Each Component Unit's designation as either "major" or "non-major" has been determined by applying the criteria of GASB Statement No. 34. See Section C – Fund Financial Statements – for definitions of major and non-major funds. Additional information as well as separately issued financial reports may be obtained by contacting the individual entity desired at the address given in the following text.

The "Discretely Presented Component Units" contained in the government-wide financial statements report the financial results of the following entities:

Major Component Units

Vermont Student Assistance Corporation (VSAC) – VSAC was established by the Vermont Legislature to provide opportunities for persons who are residents of Vermont to attend colleges or other institutions of higher education by awarding grants and by making, financing, servicing, and guaranteeing loans to qualifying students. For further information, contact their administrative offices at the Champlain Mill, P.O. Box 2000, Winooski, Vermont 05404-2601.

*University Of Vermont (UVM)** - The University of Vermont's financial report includes both the university and the State Agricultural College. Additional information may be obtained by contacting the university's administrative offices at 348 Waterman Building, Burlington, Vermont 05405.

Vermont State College System (VSC) – The Vermont State College System's annual report includes the financial activity for the following organizations:

System Offices and Services
Community College of Vermont
Castleton State College
Johnson State College
Lyndon State College
Vermont Technical College
Vermont Interactive Television
Practical Nursing Program
Vermont Manufacturing Extension Center

Additional information about the system itself or about any of the individual organizations included in the system may be obtained by contacting the Office of the Chancellor, Vermont State Colleges, Stanley Hall, Park Street, P.O. Box 359, Waterbury, Vermont 05676.

Non-major Component Units

*Vermont Economic Development Authority (VEDA)** – VEDA, a tax-exempt entity, was created by the Vermont Legislature for the purpose of promoting economic prosperity in the State by directly financing eligible businesses and projects including manufacturing, agricultural, and travel and tourism enterprises; and by operating programs which provide eligible borrowers with access to capital.

VEDA also administers the State Infrastructure Bank (SIB), the Drinking Water State Revolving Loan Fund – Private Loans, and the Brownsfield Revitalization Fund. These three funds are administered for the benefit of the State and are consolidated and reported in VEDA's agency fund. Audited financial statements and additional information may be obtained by contacting VEDA at 56 East State Street, Suite 5, Montpelier, Vermont 05602.

Vermont Housing and Conservation Board (VHCB) – The Legislature created and charged this organization with two goals: create affordable housing for Vermont residents; and conserve and protect Vermont's agricultural lands, historic properties, important natural areas, and recreational lands. VHCB issues audited financial statements under separate cover. Additional information may be obtained by contacting them at 149 State Street, Montpelier, Vermont 05602.

Vermont Sustainable Jobs Fund, Inc. – The Vermont Legislature established a jobs program and directed VEDA to set up a non-profit 503(c)(3) corporation to implement the program and to establish policies and procedures in order to fulfill the goals of the jobs program as listed in 10 V.S.A. 326(a). Audited financial statements and additional information may be obtained by contacting them at 56 East State Street, Montpelier, Vermont 05602.

Vermont Municipal Bond Bank (VMBB) – The Vermont Legislature established the VMBB for the express purpose of fostering and promoting adequate capital markets and facilities for borrowing money by governmental units of the State of Vermont for the financing of public improvements or other public purposes. VMBB is authorized to carry out these charges by borrowing money or by issuing its own bonds and notes to obtain funds which are then utilized to purchase bonds and notes issued by local governmental entities. It has an annual fiscal year (December 31) and issues audited financial statements under separate cover.

VMBB also administers the *Special Environmental Revolving Fund* in accordance with 24 V.S.A. 4753(b). This fund was created by the Vermont Legislature for the purpose of fostering and promoting timely expenditures by municipalities for water supply, water pollution control, and solid waste management. The fund has a June 30 year-end and issues its own audited financial statements. For financial reporting purposes, its financial statements have been consolidated with the State's Federal Revenue Fund financial statements in this CAFR. Further information regarding VMBB or the Special Environmental Revolving Fund may be obtained by contacting VMBB at 58 East State Street, Montpelier, Vermont 05601-0564.

Vermont Educational and Health Buildings Financing Agency (VEHBFA) – VEHBFA is a non-profit entity which finances or assists in the financing of projects for eligible educational or health related entities. It has a December 31 (annual) year-end and issues audited financial statements under separate cover. For additional information, they may be contacted at 58 East State Street, Montpelier, Vermont 05601-0564.

Vermont Center For Geographic Information (VCGI) – The Vermont Legislature established VCGI and charged it with creating a comprehensive strategy for the development and use of a geographic information system. Audited financial statements or additional information may be obtained by contacting them at 58 South Main Street, Suite 2, Waterbury, Vermont 05676.

Vermont Veterans' Home – The Vermont Veterans' Home was originally chartered in 1884 by the Vermont Legislature and incorporated on November 24, 1884. A Board of Trustees appointed by the Governor oversees the operations of the Vermont Veterans' Home. The Vermont Veterans' Home issues its own audited financial statements under separate cover. Additional information may be obtained by contacting them at 325 North Street, Bennington, Vermont 05201.

Vermont Rehabilitation Corporation – The Vermont Rehabilitation Corporation is a non-profit quasi-public corporation that was incorporated in 1935 in accordance with 10 V.S.A. 272-277. Its main purpose is to provide a limited source of loan funds to family farmers or prospective family farmers under terms and conditions which will reduce their investment costs to an extent that offers them a reasonable chance to succeed. Additional information may be obtained by contacting the Vermont State Treasurer at 109 State Street, 4th Floor, Montpelier, Vermont 05609-6200.

Vermont Film Corporation – The Vermont Film Corporation is a non-profit public corporation, created pursuant to 10 V.S.A. 644-650, for the purpose of promoting the state as a location for commercial film and television production, and to facilitate the participation of local individuals and companies in such productions. Additional information may be obtained by contacting the corporation at 10 Baldwin St., Drawer 33, Montpelier, Vermont 05633-2001.

Vermont Telecommunications Authority – The Vermont Telecommunications Authority was created in June 2007 pursuant to 30 V.S.A. 8061, for the purposes of ensuring that all regions of the state have access to affordable broadband and mobile telecommunications services by the year 2010 and promoting and facilitating ongoing upgrades in statewide telecommunications infrastructure in the most efficient and economically feasible manner. Additional information may be obtained by contacting the corporation at One National Life Drive, Montpelier, Vermont 05620-3205.

Vermont Transportation Authority (VTA) – The Vermont Legislature specifically authorized the creation of VTA pursuant to the acquisition, operation, and support of an authorized transportation facility as defined in 29 V.S.A. 701. The VTA is not currently an operating organization. Additional information may be obtained from the Agency of Transportation – Rail Division, National Life Building, Montpelier, Vermont 05633–5001.

* - Indicates entity was audited by KPMG LLP.

JOINT VENTURES

A joint venture is a legal entity or other contractual arrangement that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain an ongoing financial interest or responsibility. The Tri-State Lotto Commission (31 V.S.A. 673) is classified as a joint venture. The financial activities' of this organization is not included in the State's financial statements; however, see Note 13 for additional information regarding the organization.

JOINTLY-GOVERNED ORGANIZATIONS

The following organizations are classified as jointly-governed organizations, because they represent units over which control is exercised jointly by the State along with various other governmental agencies. There is no specific ongoing financial benefit or burden for the State associated with these organizations, which distinguishes these arrangements from those classified as joint ventures. The financial activities of these organizations are not included in the State's financial statements.

Connecticut River Valley Flood Control Commission (10 V.S.A. 1153)
New England Board of Higher Education (16 V.S.A. 2692)
New England Interstate Water Pollution Control Commission (10 V.S.A. 1333)
Northeastern Forest Fire Protection Commission (10 V.S.A. 2503)

RELATED ORGANIZATIONS

Related organizations are separate legal entities for which the primary government appoints a voting majority of the board members, but does not have either (a) the ability to impose its will on the organization or (b) a relationship of financial benefit or burden with the organization. The following entities have been classified as related organizations, and thus their financial activity has not been included in the State's financial statements.

Vermont State Housing Authority (24 V.S.A. 4005)
Vermont Housing Finance Agency (10 V.S.A. 611)

EXCLUDED ORGANIZATIONS

The following entities have been determined not to be part of the reporting entity after applying the criteria of GASB Statement No. 14 "The Financial Reporting Entity."

Vermont Council on the Humanities
Vermont Council on the Arts
Vermont Historical Society
Vermont Public Power Supply Authority
Connecticut River Atlantic Salmon Commission (10 V.S.A. 4654)
Texas Low Level Radioactive Waste Disposal Compact (10 V.S.A. 7013)

These organizations have not been included in the reporting entity because they are legally separate entities and the voting majority of their governing boards are not appointed by the State. They are not fiscally dependent on the State's primary government and exclusion from the reporting entity would not render Vermont's financial statements incomplete or misleading.

B. Government-wide Financial Statements

The State of Vermont's Government-wide Financial Statements (the Statement of Net Assets and the Statement of Activities) report information on all of the financial activities of both the primary government and its component units, except fiduciary activity. Fiduciary fund activity has not been included in these entity-wide statements in accordance with the requirements of GASB Statement No. 34. For the most part, the effect of interfund activity has also been removed from these government-wide statements. Primary government activities are segregated between governmental activities and business-type activities. Governmental activities' sources of revenues are normally taxes and inter-governmental revenues. Business-type activities rely, to a significant extent, on fees and charges for support. Further, the primary government is reported separately from its legally separate component units.

The statement of activities demonstrates the degree to which direct expenses of a given function, segment, or component unit are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment, or component unit. Program revenues include charges to customers who purchase, use, or directly benefit from goods or services provided by a given function, segment, or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, segment, or component unit. Items not properly included among program revenues are reported instead as general revenues. Taxes and other resources that are dedicated internally are reported as general revenues rather than as program revenues. The State does not allocate general government (indirect) expenses to other functions.

Net assets (the amount by which assets exceed liabilities) are reported on the Statement of Net Assets in three components:

- (1) Invested in capital assets, net of related debt – total amount of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds and other debt that is related to the acquisition or construction of those assets;
- (2) Restricted – for amounts when constraints placed on the net assets are either externally imposed, or are imposed by constitutional provisions or enabling legislation. The amount of governmental activities net assets restricted by enabling legislation for the State as of June 30, 2008, is \$98,430,952.
- (3) Unrestricted – the total net assets which do not fit the two preceding categories.

When both restricted and unrestricted resources are available for use, generally it is the State's policy to use restricted assets first with unrestricted resources utilized as needed.

C. Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, fiduciary funds, and major component units. Major governmental funds, major proprietary funds, and major component units are reported in individual columns in their respective fund financial statements. Non-major funds are consolidated and reported in a single column. The single test for classifying a fund as either major or non-major consists of applying the following two steps:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding element total (assets, liabilities, etc) for all funds in that category or type (that is total governmental or total enterprise), **and**
- b. The same element that met the 10 percent criterion in (a) is at least 5 percent of the corresponding element total for all governmental and enterprise funds combined.

In addition to the above major fund criteria, any other governmental or enterprise fund that government officials believe is particularly important to financial statement users (i.e. because of public interest or for consistency) may be reported as a major fund.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Statewide education property taxes are recognized as revenues in the year for which the taxes are levied. This property tax is levied by the State on July 1, is included in the property tax bills levied by municipalities, and is collected by municipalities. The municipalities, by December 1 and June 1, must make payment to the State Treasurer in the amount specified by the Commissioner of Taxes.

Governmental Fund Financial Statements – The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State generally considers revenues to be available if they are collected within 60 days of year-end. Major revenue sources considered susceptible to accrual include federal grants, interest on investments, and sales and income taxes. See special consideration for personal income tax revenue recognition under the “Receivables” section of this footnote.

Expenditures generally are recorded when a liability is due and payable, with the following exceptions:

- a. Employees' vested annual, personal, and compensatory leave time are recorded as expenditures when utilized. The amount of accumulated leave unpaid at the end of the fiscal year has been reported only in the accrual-basis financial statements and does not include any accruals for the State's share of any payroll taxes that will be due when the expenditures are actually paid. See the “Compensated Absences” section of this footnote for additional information.
- b. Interest on general long-term debt is recognized when due to be paid.
- c. Debt service expenditures and claims and judgments are recorded only when payment is due to be paid.

Proprietary Funds, Fiduciary Funds, and Discretely Presented Proprietary Fund Type Component Units – The financial statements presented for these types of funds use the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liabilities are incurred. The State's enterprise funds have elected not to apply standards issued by the Financial Accounting Standards Board (FASB) after November 30, 1989.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are categorized as non-operating revenues and expenses.

E. Fund Accounting

The financial activities of the State are recorded in individual funds, each of which is deemed to be a separate accounting entity. A fund is defined as a separate accounting entity with a self-balancing set of accounts. The State uses fund accounting to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

The financial activities of the State that are reported in the accompanying financial statements have been classified into the following governmental, proprietary and fiduciary funds.

GOVERNMENTAL FUNDS

General Fund – The Vermont Legislature has established the General Fund as the basic operating fund of the State. As such, the General Fund is used to finance and to account for all expenditures for which no special revenues have otherwise been provided by law. All revenues received by the State and not otherwise required by law to be deposited in any other designated fund or used for any designated purpose are deposited in the General Fund. Unexpended and/or unencumbered appropriation balances will, unless otherwise directed by law, revert to fund balance at the end of the fiscal year.

Special Revenue Funds - These funds are used to account for revenues specifically earmarked to finance only particular or restricted programs and activities and include the following:

Transportation Fund – This fund is a major special revenue fund. It is used primarily for preservation, maintenance, and improvements to the State's transportation infrastructure. This infrastructure includes highways, bridges, railroads, airports, public transportation, and other related activities. The fund is also used for maintenance and staffing of highway rest areas, construction of transportation capital facilities, and to provide funding for transportation related debt service requirements. The primary sources of revenue in this fund are motor fuel taxes, motor vehicle purchase and use tax, motor vehicle license and registration fees, traffic ticket revenue, other statutorily specified revenues, as well as reimbursements from the federal government for transportation projects.

Education Fund – This fund is a major special revenue fund. It was established by the Vermont Legislature to equalize statewide education funding requirements. Sources of funding and allowable expenditures are codified in 16 V.S.A. 4025. These allowable expenditures include payments to school districts and supervisory unions for the support of education, the costs of short-term borrowing, and statewide education tax income sensitivity adjustments. Funding includes the statewide education tax, allocations of other taxes, State lottery profits, Medicaid reimbursements, and appropriated transfers from the General Fund.

Special Fund – This fund is a major special revenue fund. It consolidates many individual special revenue funds that account for proceeds or specific revenues not categorized above that are legally restricted to expenditures for specific purposes. These purposes cross the entire range of state government activities.

Federal Revenue Fund – This fund is a major special revenue fund. All federal grant receipts are recorded in this fund except for those federal funds specifically designated for transportation or fish and wildlife purposes. Federal grants of these latter two types are recorded in the State's Transportation Fund or Fish and Wildlife Fund respectively.

Global Commitment (to health) Fund – This fund is a major special revenue fund created in accordance with Section 16c of 33 V.S.A. 1901e. It is the result of Vermont entering into a Medicaid demonstration waiver agreement with the Federal Government. This agreement caps Federal expenditures in Medicaid services for five years but gives Vermont great latitude in promoting universal access to health care, cost containment, and effective administration. The State will be financially at risk for managing costs within the capped limits but stands to benefit from any savings realized from program efficiencies. As part of the agreement, the Agency of Human Resources (AHS) has contracted with the Office of Vermont Health Access, which will serve as a publicly sponsored managed care organization, and adhere to all Federal managed care organization regulations.

General, Special and Federal Revenue Funds are used to fund payments of actuarially certified premiums from the Agency of Human Services to the managed care organization within the Office of Vermont Health Access for the purpose of providing services under the global commitment to health care waiver approved by the Federal Centers for Medicare and Medicaid Services under Section 1115 of the Social Security Act. These payments are reported as transfers out of the General, Special and Federal Revenue Funds and as transfers in to the Global Commitment Fund.

These funds will be expended as appropriated by the general assembly, authorized by the Director of the Office of Vermont Health Access, and approved by the Commissioner of Finance and Management consistent with agreements between the managed care organization within the Office of Vermont Health Access and departments delivering eligible services under the waiver.

Non-major governmental funds column includes the balances and activities of the following:

Fish and Wildlife Fund – This fund is a non-major special revenue fund. The fund's revenue is restricted by statute and can only be utilized for fish and wildlife purposes. Principal sources of revenue include license fees and federal grants.

Capital Projects Funds – These funds, consisting of the General Bond Fund and the Transportation Bond Fund, are non-major governmental funds, and account for capital improvement expenditures. These appropriations are primarily funded by the issuance of State capital bonds. These capital expenditures may be for the State directly or for outside organizations such as the Vermont State College System, municipalities, etc.

Permanent Funds – These are non-major governmental funds that report resources that are legally restricted to the extent that only earnings, not principal, may be expended for purposes that benefit the government or citizenry, such as higher education, cemetery care, and monument preservation.

PROPRIETARY FUNDS

These funds account for those activities for which the intent of management is to recover the cost of providing goods or services to the general public or other departments of government primarily through user charges; or where prudent financial management dictates that periodic determinations of results of operations are appropriate. These funds include the following types:

Enterprise Funds – These eight funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The State's intent in these funds is to recover the costs including depreciation expense associated with providing the goods and services to the public primarily through user charges. Three of these enterprise funds, reporting the activities of the State's unemployment compensation program, the liquor control board, and the State's lottery program, are reported as "major funds" while the remaining five are reported as non-major funds.

Unemployment Compensation Trust Fund – accounts for federal monies and unemployment taxes collected from employers to provide payment of benefits to the unemployed (21 V.S.A. Chapter 17).

Liquor Control Fund – accounts for the operations of the Liquor Control Board which purchases, distributes, and sells distilled spirits through its agency stores (7 V.S.A. Chapter 40).

Vermont Lottery Commission – accounts for the operations of the Vermont Lottery (31 V.S.A. Chapter 14). The net profits of the Vermont Lottery Commission used to support public education and are transferred monthly to the Education Fund.

Internal Service Funds – These twenty-two separate funds are used to account for the financing of goods and services provided by one State department to other State agencies, departments, or intergovernmental units. Their objective is not to make a profit but rather to recover the total cost of providing these goods and services by charging users of their services and products. Activities accounted for in the State's internal service funds include risk management; employee group insurance programs; equipment acquisition and maintenance; rental and maintenance of facilities; financial, human resource, audit, and information technology services; postage, copying and supply procurement services; and State vehicle fleet management. In the government-wide financial statements, Internal Service Funds are reported within the governmental activities.

FIDUCIARY FUNDS

These funds are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, or other governmental units. These funds include the following:

Pension and Other Postemployment Benefit Trust Funds – These funds are used to report assets and associated financial activity that are held in trust for the members and beneficiaries of the Vermont State Retirement (defined benefit) System, the Vermont State Defined Contribution Retirement System, the State Teachers' Retirement System of Vermont, the Vermont Municipal Employees' (defined benefit) Retirement System, the Vermont Municipal Employees' Defined Contribution Plan, the State's Single Deposit Investment Account, and the State Employees' Postemployment Benefit Trust Fund and the Vermont Municipal Employees' Health Benefit Fund.

Investment Trust Fund – Under the authority granted in 3 V.S.A. 523, beginning in Fiscal Year 2008, the State Treasurer created and began accepting deposits into the Vermont Pension Investment Committee (VPIC) Investment Pool, an external investment pool. The investment trust fund is used to account for the investments of the external participants in the Pool.

Private Purpose Trust Fund – The State's only fund in this category is the *Unclaimed Property Fund*, which accounts for all abandoned property that is required to be remitted to the State. The State Treasurer administers procedures for returning this property to its rightful owner if he/she can be located. In addition to monetary assets, from time to time the State Treasurer may have custody of tangible property that has not been valued and therefore is not reported in the financial statements. Each year, the fund retains the greater of \$100,000 or fifty percent of the amount received during the previous year, and the balance after deduction for operating expense is transferred to the General Fund. Amounts for which the eligibility period for being claimed has expired are transferred to the Vermont Higher Education Endowment Fund (a permanent fund).

Agency Funds – These funds report assets and liabilities for deposits and investments entrusted to the State as agent for others. They have no fund balance and report items such as Federal income tax withholding, social security tax withholding, etc.

CASH AND CASH EQUIVALENTS

Cash balances for most funds are deposited with the State Treasurer, except for the Pension Trust Funds, Investment Trust Fund, Capital Projects Funds, and the Single Deposit Investment Account Fund. Cash balances deposited with the State Treasurer are pooled together and amounts that are not immediately required are invested in short-term investments.

Income earned by these short-term investments is allocated based on average daily balances to those funds authorized to receive it while any remaining earnings are deposited in the General Fund.

Cash and cash equivalents as reported in the financial statements include bank accounts, imprest cash, short-term investments with an original maturity of three months or less such as certificates of deposit, commercial paper, federal government agencies' discount notes, money market accounts, and repurchase agreements.

INVESTMENTS

Investments are stated at fair value. Fair values of investments are based on quoted market prices. Additional information regarding types of investments and basis of valuation, see Note 2.

RECEIVABLES

Receivables in the government-wide financial statements represent amounts due to the State at June 30 that will be collected at some time in the future. They consist primarily of accrued taxes and federal grants receivable.

Receivables reported in the governmental funds financial statements consist primarily of accrued taxes, federal grants receivable, and notes receivable from drinking water and clean water special environmental loans. Other receivables include primarily fees, fines, and expenditure reimbursements due to the Medicaid program from drug companies and third party insurance companies. Revenues accrued in the governmental funds financial statements consist primarily of accrued taxes, and notes receivable from component units that will be collected by the State within 60 days after year-end. Amounts estimated to be collected after the 60-day revenue recognition period is recorded as deferred revenues. Federal receivables are amounts due from the federal government to reimburse the State's expenditures incurred pursuant to federally funded programs. Federal grant revenues are accrued when the qualifying expenditure is incurred. Notes receivable in the General Fund consist primarily of Vermont Economic Development Authority notes purchased by the State. See Note 12 – Contingent Liabilities for further information. No allowances for uncollectible amounts have been recognized in these notes receivable.

The "Investments Sold" receivable balance on the Statement of Fiduciary Net Assets represent monies due to the respective retirement funds for investments sold or matured prior to the statement date, but for which the receipts were received subsequent to year-end.

INVENTORIES

Inventories of materials and supplies in governmental funds are recorded as expenditures when purchased. Inventories reported in the proprietary funds are valued at the lower of cost or market, except inventories reported in the Federal Surplus Property Fund (an enterprise fund) are reported at the federal acquisition cost. Cost valuation methods used in the various funds are as follows: weighted average method – Liquor Control enterprise fund, Vermont Life Magazine enterprise fund, Highway Garage internal service fund, and Offender Work Programs internal service fund; specific identification method – Vermont Lottery Commission enterprise fund, Federal Surplus Property enterprise fund, and State Surplus Property internal service fund; and first-in, first-out method – Postage internal service fund.

PREPAID EXPENSES

In governmental funds, all purchases are recorded as expenditures when the invoice is entered for payment. In the proprietary and fiduciary funds, certain payments reflect costs applicable to future accounting periods and as such, are recorded as prepaid expenses. These prepaid items will be expensed as they are liquidated.

CAPITAL ASSETS AND DEPRECIATION

Capital assets, which include property, plant, equipment, and infrastructure assets, are recorded in the Government-wide Statement of Net Assets at actual or estimated historical cost or, if donated, at the estimated fair market value on the date donated to the State. Interest incurred on debt issued for construction of governmental activities capital assets is not capitalized. The majority of the historic artifacts and collections that are maintained by the various State agencies and departments are not included in the capital asset reporting. The items not reported are protected and preserved, held for public exhibition and educational purposes and the proceeds from any sales of such items are used to acquire new items for the collection.

Vermont defines a Capital Asset as a physical resource that costs at least \$5,000 and provides a future economic benefit for more than 1 year. This includes capital leases and buildings that are not considered to be part of an infrastructure asset. All land, regardless of cost, is capitalized and is not depreciated.

Infrastructure assets are defined as long-lived economic resources that are normally stationary in nature, utilized primarily by the general public as opposed to State employees, cost at least \$50,000 and provide future economic benefit for more than 1 year. Normally, infrastructure assets are much greater in value, have a longer economic life, and can be preserved for a greater number of years than most capital assets.

Capital assets are depreciated over their useful lives using the straight-line mid-month depreciation method. Useful lives for buildings are 20 to 50 years, equipment is 3 to 24 years and infrastructure assets are 6 to 80

years. Additional disclosures related to capital assets and assets acquired through capital leases are found in Notes 4 and 7, respectively.

Capital assets in the proprietary funds are capitalized at historical cost when acquired. Depreciation is calculated and recorded using the straight-line method with estimated useful lives being the same as those for the governmental capital assets. Interest is capitalized, if material.

When a capital asset is disposed of, its cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period. Significant renewals and improvements that increase the life expectancy are capitalized and deductions are made for retirements resulting from the renewals or improvements.

DEFERRED REVENUE

Revenues in the government-wide financial statements and the proprietary fund financial statements are deferred if cash has been received prior to being earned. In governmental fund statements deferred revenues are recognized when revenues are unearned or unavailable.

ACCOUNTS PAYABLE

The accounts payable balances contained in the financial statements consist of operating liabilities that were incurred prior to year-end, and where payment was actually made subsequent to year-end. When paying its liabilities, it is the policy of the State to apply restricted resources first to situations where either restricted or unrestricted net assets may be used.

The "payable for investments purchased" balance for the Pension Trust Funds represents amounts due for securities purchased prior to year-end, which were paid subsequent to year-end.

ACCRUED LIABILITIES

Accrued liabilities consist of employee wages and related fringe benefit accruals earned by employees as of the statement date. Retainage payable consists of portions of progress payment amounts due to contractors that have been withheld and which will be paid by the State to the contractors upon final completion and acceptance of the contracted item or service.

TAX REFUNDS PAYABLE

Tax refunds payable primarily represent amounts owed by the State to taxpayers because of overpayment of their personal income tax liabilities. Tax refunds payable, which reduce respective tax revenues, are accrued to the extent they are measurable based on payments and estimates. The amount reported as tax refunds payable at June 30, 2008 in the governmental funds statements is comprised of tax refunds for filed tax returns due and payable at June 30, 2008. The amount reported as tax refunds payable at June 30, 2008 in the government-wide financial statements is comprised of estimated tax liability overpayments for the first and second calendar quarters of year 2008 tax liability as well as overpayments for calendar year 2007 and prior years' tax liabilities that have not been paid out as of June 30, 2008.

ARBITRAGE REBATE OBLIGATIONS

In accordance with Section 148(f) of the U.S. Internal Revenue Code, the State must rebate to the U.S. Government the excess of interest earned from the investment of certain debt proceeds over the yield rate of the applicable debt. Arbitrage rebate, if any, is due and payable on each five-year anniversary of the respective debt issue. As of June 30, 2008, the primary government had no outstanding arbitrage rebate obligation. The arbitrage rebate liabilities reported by the discretely-presented component units are included in "Other Long-term Liabilities" in the government-wide statement of activities.

ENCUMBRANCES

Contracts and purchasing commitments are recorded as encumbrances when the contract or purchase order is executed. When the terms of the purchase order or contract have been fulfilled and payment to the contracting party is due, the encumbrance is liquidated and the liability and expenditure are recorded. Un-liquidated encumbrances remaining at fiscal year-end are reported in the Reserved for Encumbrances account as a component of fund equity for the governmental fund types.

FUND BALANCES

Fund balances for governmental funds are classified as either reserved or unreserved. Reserved fund balances reflect either (1) assets which, by their nature, are not available for appropriation such as "reserved of advances and notes receivable;" (2) funds legally separated for a specific use such as "reserved for encumbrances;" or (3) funds segregated by legal restrictions such as "reserved for endowments" that includes the non-expendable portion of the permanent funds. Certain other reservations of the Governmental Funds' fund balances are described below.

Budget Stabilization Reserve – These reserves are established in the General, Transportation, and Education funds. They were created to reduce the effects of annual variations in State revenues by reserving certain surpluses of revenue. See Note 10 for a more complete disclosure of these reserves as it pertains to the current fiscal year.

Reserved for Debt Service – During fiscal year 1993, the State initiated a lawsuit to recover costs associated with asbestos removal. A settlement agreement between the contractor and the State was reached which resulted in net proceeds being credited to and reserved in the General Fund to meet future debt obligations associated with issuance of bonds relating to asbestos removal. The reserved amount is reduced annually through fiscal year 2009 in proportion to the repayment schedule of the bonds issued to refinance the asbestos removal. The reserve for debt service also includes the premium on the sale of bonds for general obligation bonds sold during the fiscal year. This portion of the reserve will be appropriated in the following fiscal year to be used on the first payment of principal or interest due on the bonds.

Reserved for Human Caseload Management – The General Fund reserve for human caseload management, established pursuant to 32 V.S.A. Section 308b(a) was created to be available for appropriation to meet caseload-related needs at the Agency of Human Services. The Secretary of Administration may transfer to this reserve any general fund unexpended appropriations directly attributable to Aid To Needy Families With Children (ANFC) caseload reductions and the effective management of related federal receipts.

Reserved for General and Transportation Surplus – These reserves were established pursuant to 32 V.S.A. 308c. After satisfying the requirements of the budget stabilization reserves in the General and Transportation Funds, and after other reserve requirements have been met, any remaining unreserved and undesignated end of fiscal year surplus' in these funds are required to be reserved in the General and Transportation Funds' surplus reserve. Monies from these reserves are to be available for appropriation by the general assembly.

Reserved for Downtown Housing Tax Credit – Act 192 Section 5.803 of the 2008 legislative session required that to the extent that budgetary basis general fund unreserved and undesignated fund balance remained after other specific reserves, monies are to be reserved for use in fiscal year 2009 to offset a downtown housing development tax credit.

COMPENSATED ABSENCES

Compensated absences liabilities include amounts for accumulated unpaid vacation, compensatory time, and personal leave credits. Classified State employees accrue vacation leave based on the number of years employed up to a maximum rate of 24 days annually and may not accumulate more than a maximum of 45 days (360 hours) at any one time. This liability is expected to be liquidated in future periods as either salary payments or cash payments upon termination of employment. Compensatory time and personal leave time accumulates as

earned by the employees but must be taken within an accrual year or forfeited.

Liabilities for compensated absences are recorded in the fund where the employees are assigned. The amounts are calculated based on an employee's pay rate in effect as of year-end. Additional information including changes in balances may be found in Note 16 – Changes in Long-term Liabilities.

Employees earn sick leave credits based on the number of years employed with a maximum accrual rate of 21 days per fiscal year. Sick leave may only be liquidated if and when sickness or injury is incurred. Additionally, if employment is terminated, any sick leave that the individual may have accrued is forfeited without any payout; therefore, it is not an accruable liability to the State. There is no limit on the amount of sick leave an employee may accumulate.

BOND DISCOUNTS, PREMIUMS, AND ISSUANCE COSTS

In the government-wide financial statements, bond discounts/premiums and issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issue costs are reported as deferred charges.

In the fund financial statements, governmental fund types recognize bond discounts, premiums and issuance costs in the period the bond proceeds are received. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issued are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as expenditures.

INTERFUND TRANSACTIONS

Interfund Loans – Short-term loans between funds outstanding at year-end for such things as cash overdrafts are recorded as Interfund Receivables/Payables. Advances To/From Other Funds represent long-term interfund loans receivable and payable.

Reimbursements – Reimbursements result when one fund makes an expenditure for a second fund when that expenditure or expense is properly applicable to the second fund. Reimbursement transactions reduce expenditures in the reimbursed fund and increase expenditures/expenses in the reimbursing fund.

Quasi-External Transactions – These transactions occur between two government funds that would be accounted for as revenue and expenditures if they occurred between a government entity and a private sector entity.

Transfers – These transfers encompass all types of transfers, except for the residual equity transfers, and are primarily routine transfers of appropriation resources between funds. Transfers are not revenue, expenditures, or expenses, and are classified as "Other Financing Sources (Uses)" in the operating statements of the governmental funds and in a separate subsection before net income in the proprietary funds.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, that affect disclosure of contingent assets and liabilities as of the date of the financial statements, and that affect the reported amounts of revenues and expenses for the reporting period. Actual results could differ from these estimates.

Note 2: CASH, CASH EQUIVALENTS AND INVESTMENTS**A. Primary Government – Excluding Pension and Investment Trust Funds**

Deposits and investments for the primary government are governed by State statutes. When depositing public monies, the State Treasurer must act in accordance with 32 V.S.A. 431. Although the statute provides requirements for the collateralization of deposits, it does not establish limits. These limits are set by published formal guidelines issued by the State Treasurer. The State has an investment policy with an overriding goal of providing optimum coverage of risk exposure and maintaining liquidity necessary for future cash needs while maximizing the return on investments. Two sections of state statute govern the investment of the State's operating and restricted cash (i.e., non-pension funds).

When investing public monies, the State Treasurer must act in accordance with 32 V.S.A. 433. Types of investments allowed include obligations of the United States, its agencies and instrumentalities, and any repurchase agreements whose underlying collateral consists of such obligations or other approved money market instruments; certificates of deposit issued by banks and savings and loan associations approved by the State Treasurer; prime bankers' acceptances; prime commercial paper; tax exempt securities; and domestic money market funds. Also, the State Treasurer's Office issues additional formal guidance that is reviewed periodically, to assure that the three investment objectives -- safety, liquidity, and yield -- are met.

The statutory investment guidelines for certain trust funds are contained in 32 V.S.A. 434, referred collectively as the Trust Investment Account. These include the nonexpendable fund balances of the Permanent Trust Funds (including the Higher Education Trust Fund), the Fish and Wildlife Trust Fund (reported in the Fish & Wildlife Fund), Tobacco Trust and Agency of Natural Resources Land and Facilities Trust Funds (reported in the Special Fund), and the Vermont State Postemployment Benefits Trust Fund.

The State Treasurer may invest funds in accordance with the standard of care established by the prudent investor rule and apply the same investment objectives and policies adopted by the Vermont State Employees' Retirement System, where appropriate, to the investment of funds in the Trust Investment Account.

Deposits - Custodial Credit Risk

The custodial credit risk for deposits is the risk that in the event of a depository financial institution failure, the government will not be able to recover funds deposited in the failed institution or will not be able to recover collateral securities that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not covered by depository (FDIC) insurance and are uncollateralized or collateralized with securities held by the pledging financial institution or by the pledging financial institution's trust department or agent but not in the depositor – government's name. Although State statute does not require deposits to be collateralized, the Treasurer requires the State's cash deposits held in its primary bank to be collateralized with either United States Treasury securities or Vermont municipal securities or other approved money market instruments. Certificates of deposit are collateralized, in whole or in part, on the basis of agreements with the bank, a protocol requiring periodic due diligence and review of bank capitalization and assets. Bank deposits in excess of the FDIC amounts and collateral agreements are uninsured and uncollateralized. The bank collateral for the State's deposit balances is held by the banks' trust department for the benefit of the State. Bank balances of deposits for the primary government, excluding pension and investment trust funds, as of June 30, 2008 (including \$50 million certificates of deposits) were \$101,650,310. Of these, \$6,466,045 (including \$3.45 million certificates of deposits) was exposed to custodial credit risk as uninsured and uncollateralized.

Investments

Investments are stated at market value in the case of marketable securities and at estimated fair value for certain nonmarketable securities. Money market and other short-term investments are reported at market value when published market prices and quotations are available, or at amortized cost, which approximates fair value. Management at the State Treasurer's Office is responsible for the fair value measurements of investments reported in the financial statements. The State Treasurer's Office has implemented policies and procedures to assess the reasonableness of the fair values provided; the Office believes that reported fair values at the balance sheet date are reasonable.

(a) Interest Rate Risk – Investments

Interest rate risk is the extent that changes in market interest rates of debt investments will adversely affect the fair market value of an investment. The State's primary government portfolio includes daily operating cash in the form of short-term cash equivalents and money market instruments. The State Treasurer's Office minimizes the risk of the market value of securities falling due to changes in interest rates by holding this portion of the portfolio in securities with a maturity of one year or less. In addition, money market funds are also utilized and are operated on the basis of SEC Rule 2a-7, purchasing the highest rated debt which matures in under 13 months while maintaining an average weighted maturity of less than 90 days. Manager guidelines for assets of the Trust Investment Account limit effective duration to +/- 30 percent of the Lehman Aggregate Bond Index. The calculation of the duration of mortgage backed securities involves assumptions as to the expected future prepayment rate for the security. The managers are required to calculate duration at the time of initial purchase and on a routine basis to maintain compliance with these guidelines. The primary government's investments,

Primary Government Investments - Excluding Pension and Investment Trust Funds

(Expressed in Thousands)

<u>Investment Type</u>	<u>Fair Value</u>	Investment Maturities (in years)			
		Less Than 1	1 to <6	6 to 10	More Than 10
Debt Investments					
US Agencies/Treasuries.....	\$ 61,332	\$ 20,275	\$ 794	\$ 833	\$ 39,430
Money Market Mutual Fund.....	332,959	332,959	-	-	-
Other.....	544	100	254	122	68
Total Debt Investments.....	<u>394,835</u>	<u>\$ 353,334</u>	<u>\$ 1,048</u>	<u>\$ 955</u>	<u>\$ 39,498</u>
Other Investments					
Mutual Funds.....	2,530				
Equity Securities.....	15,438				
US Unemployment Trust Pool.....	160,643				
Total.....	<u>\$ 573,446</u>				

The above includes instruments that are classified as cash and short-term investments for balance sheet purposes.

The following is a reconciliation of the investment types to the financial statement presentation (*in Thousands*).

Primary Government - Excluding Pension and Investment Trust Funds

Investments per maturity schedule.....	\$	573,446
Included in cash & cash equivalents:		
US Agencies/Treasuries.....		(19,961)
Money market mutual fund.....		(330,636)
Certificates of deposit.....		22,200
US Treasury trust pool.....		(160,643)
Financial statement investments total.....	\$	84,406
Governmental activities total.....	\$	77,071
Business activities total.....		2,346
Fiduciary - OPEB trust.....		3,216
Fiduciary - private purpose trust fund.....		1,773
Total.....	\$	84,406

(b) Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the monetary magnitude of the State's investment in a single issuer. While State statute does not establish ceilings, formal investment guidelines for operating funds limit the amount invested to 10% in any one issuer of commercial paper, corporate securities, or bankers' acceptances. There are no limitations for U.S. Government and Federal Agencies. Money market funds utilized by the State Treasurer's Office are highly rated and incorporate the requisite diversification. As of June 30, 2008, no single issuer exceeded 5% for the primary government portfolios.

(c) Custodial Credit Risk

For investments, custodial credit risk is the risk that a government will not be able to recover the value of an investment or collateral securities that are in the possession of an outside party if the counterparty to the transaction fails. The State has no formal policy on custodial credit risk but maintains contractual relationships with custodian banks that provide coverage and define the procedures. As of June 30, 2008 all securities were registered in the name of the State at its custodian bank. Investments in open-end mutual funds are not exposed to custodial risk because their existence is not evidenced by specific securities.

(d) Credit Risk

Credit risk is the possibility that the issuer or other counterparty to an investment may default on their obligations. In non-pension funds this risk has been mitigated by implementing statutory guidelines on credit quality and further restricted by formal investment guidelines and the use of low-risk money market instruments. The credit risk associated with the State's debt securities, money market funds, bond mutual funds, and other pools of fixed income securities, exclusive of pension and investment trust funds' investments, as of June 30, 2008, is presented as follows, using the Moody's rating scale.

Primary Government Rated Debt Investments
Excluding Pension and Investment Trust Funds
(Expressed in Thousands)

<u>Debt Investments</u>	<u>Fair Value</u>	<u>Quality Ratings</u>	
		<u>Aaa</u>	<u>Unrated</u>
US Agencies/Treasuries.....	\$ 61,332	\$ -	\$ 61,332
Money Market Mutual Fund.....	332,959	332,859	100
Bond Mutual Fund.....	2,530	-	2,530
Other.....	544	-	544

(d) Foreign Currency Risk

Foreign currency risk is the extent to which changes in exchange rates affect the value of an investment. Operating funds are restricted, through statute and formal guidelines, to specific money market instruments and money market funds investing in domestic instruments. The Trust Investment Account guidelines permit investment in foreign equities, although these are limited by as a percentage of the portfolio. Although managers are afforded flexibility in number of issues held and their geographic or industry distribution, providing they are within established percentage ranges in relative to single holding limitations and its weighting within an appropriate index.

In the Trust Investment Account portfolio, total exposure to foreign currency risk at June 30, 2008, valued in US dollars is \$832,386. This is made up of \$182,600 Canadian Dollar, \$524,206 Euro Currency, and \$125,580 Mexican Peso.

B. Primary Government – Pension Trust Funds and the Vermont Municipal Employees Health Benefit Fund

The State has three defined benefit plans (Vermont State Retirement, State Teachers, and Vermont Municipal Employees), three defined contribution plans (Vermont State Retirement, and Vermont Municipal Employees, and Single Deposit Investment Account), and two other post employment benefit funds.

By statute, the assets of the three defined benefit plans are invested on behalf of each plan's Trustees through the Vermont Pension Investment Committee (VPIC), which was created by the Vermont Legislature effective July 1, 2005. The majority of these assets have been pooled for investment purposes. On November 1, 2007, the City of Burlington, Vermont pooled its investments with the majority of the assets of the state, teachers and municipal defined benefit plans pursuant to a change in state statute permitting Vermont municipalities to pool their funds with the VPIC creating an external investment pool. An "external investment pool" as defined by GASB 31 commingles the moneys of more than one legally separate entity and invests, on the participants' behalf, in an investment portfolio and one of the participants, the City of Burlington, is not part of the state's reporting entity. Each of the participating funds has an equity position in the external pool and individual investment securities are not specifically identified to any of the participating funds. As a result, the "pooled investment" is a net equity position, incorporating the results of the underlying securities, receivables and liabilities. Earnings in each pooled investment are allocated based on the month-end balances of each of the respective systems. .

The three defined benefit plans and the City of Burlington's assets managed by VPIC are externally managed in the pool established July 1, 2005 with a startup share price of \$1,000. Ownership in the pool is based on the number of shares held by each member. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction.

The pool's net assets and statement of changes in net assets are as follows.

Vermont Pension Investment Committee
Investment Pool
Statement of Net Assets
June 30, 2008
(in thousands)

Assets:

Cash and short term investments.....	\$ 178,537
Receivables:	
Interest and dividends.....	16,367
Investments sold.....	761,466
Other.....	1,161
Total receivables.....	778,994
 Investments at Fair value:	
Fixed income.....	868,029
Equities.....	1,326,222
Mutual funds.....	503,750
Real estate and venture capital.....	178,778
Total investments.....	2,876,779
Total assets.....	3,834,310

Liabilities:

Payable for investments purchased.....	(643,015)
Total liabilities.....	(643,015)
Net assets held in trust for investment pool participants.....	\$ 3,191,295

**Vermont Pension Investment Committee
Investment Pool
Statement of Changes in Net Assets
For the Fiscal Year Ended June 30, 2008
(in thousands)**

Additions :**Investment Income:**

Net appreciation (depreciation) in fair value of investments.....	(425,775)
Dividends.....	39,649
Interest income.....	48,213
Securities lending income.....	134
Other income.....	247
Total investment income (loss).....	(337,532)

Deposits from pool participants.....	3,530,563
Total additions.....	3,193,031

Deductions:

Operating expenses.....	1,736
Total deductions.....	1,736

Change in net assets.....	3,191,295
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Net assets held in trust for pool participants:

July 1.....	0
June 30.....	\$ 3,191,295

Vermont State Retirement System.....	\$ 1,272,647
State Teacher's Retirement System.....	1,488,625
Vermont Municipal Employees' Retirement System..	312,273
City of Burlington.....	117,750
June 30.....	\$ 3,191,295

Each defined benefit plan managed by the state has its own asset allocation as determined by the VPIC and deemed adopted by each system's board in the absence of board action to the contrary. As of May 31, 2006, the VPIC adopted a set of investment policies and guidelines common to all three defined benefit plans. These are used by VPIC with the objective of maximizing returns within acceptable risk parameters.

The State's Single Deposit Investment Account (SDIA), a non-contributory defined contribution plan, is invested in two intermediate term bond portfolios managed by two different investment managers. The portfolios are measured against the Lehman Intermediate Term Bond index with an investment objective of exceeding this index over rolling three year periods. The investment policy governing the SDIA portfolios includes a minimum average credit quality of double-A, no bonds rated below investment grade, and limitations on asset-backed, mortgage-backed, collateralized Mortgage Obligations, corporate bonds, and single issuers of non-treasury/government agency backed bonds. The bonds are "wrapped" by an insurance policy guaranteeing the book principal value of investment to SDIA Account participants. This insurance wrapper requires monthly adjustments of participant crediting rates based on the changing market value of the portfolio. The insurance provider is rated Aa3 by Moody's and AA+ Standard & Poor's.

The Vermont State Retirement's defined contribution plan's trustee is the State Treasurer. The Vermont Municipal Employees' Retirement System Board of Trustees is the trustee for the Vermont Municipal Employees' defined contribution plan. Both plans are administered by Fidelity Investments Institutional Operations Company. Investment choices are made by participants from a range of funds approved by the trustees' for the plans. Investment options are Fidelity and non-Fidelity mutual funds including large and small market capitalization equities (actively managed and indexed), international equities, fixed income securities, balanced funds, target retirement date age based funds, and a stable value fund. Funds included in the plans were selected based on consideration of fund performance for one and multi-year periods, performance ranked against peer group funds in asset class, management fee expense ratios, fund asset class and investment objectives, historical annual returns, Morningstar ratings, performance in various stages of the capital market cycle, and consultant recommendations as to the optimal number of funds and appropriate asset classes. Fidelity provides quarterly investment reports and analysis that are reviewed by Treasury staff, the State Treasurer and Vermont Municipal Employees' Retirement's Board.

The state has two other post benefit employment funds, the Vermont State Post Employment Benefits Trust Fund (State OPEB) and the Vermont Municipal Employees health benefit Fund (Muni OPEB). These are described in Note 5. The "State OPEB" is invested in the Trust Investment Account utilized as an investment vehicle many of the state's primary funds, exclusive of pension funds, and is included in the cash and investment disclosures for the primary government. The "Muni OPEB" is invested under the authority of the Municipal Retirement Board of Trustees and utilizes an outside administrator, which invests in mutual funds. Disclosures related to these OPEB plans' cash and investments are included below.

Deposits - Custodial Credit Risk

The pension trust funds' cash deposits, outside of the pension trust funds' custodian bank, totaled \$11,959,724, none of which was exposed to custodial credit risk. In addition, there is \$156,080,095 in overnight cash vehicles at the custodial bank, also not exposed to custodial risk because their existence is not evidenced by specific securities.

Investments

Custodial credit risk for investments is the risk that a government will not be able to recover the value of an investment or collateral securities that are in the possession of an outside party if the counterparty to the transaction fails. The VPIC manages exposure to custodial credit risk by requiring all relevant investment managers to hold investments in separate accounts with VPIC's custodian. VPIC guidelines specify the custodial requirements for these accounts and the duties of the managers and the custodian. As of June 30, 2008, all securities were registered in the name of the State at its custodian bank. Investments in pools, open-end mutual funds, and other investments not evidenced by specific securities are not subject to custodial credit risk.

Investments are stated at market value in the case of marketable securities and at estimated fair value for certain nonmarketable securities. Money market and other short-term investments are reported at market value when published market prices and quotations are available, or at amortized cost, which approximates fair value. Real estate (including timber investments) is carried at the net asset value of each retirement system's real estate fund investment(s), which net asset value is further based on the fair market value of the real properties. Properties' fair market values in each of the retirement systems' fund investments are established quarterly by real estate fund manager appraisals and are validated at least yearly by third-party property appraisals.

Nonmarketable securities include alternative investments such as private equity and venture capital, which are valued using current estimates of fair value obtained from the investment manager in the absence of readily determinable public market values. Such valuations generally consider variables such as the high, medium, and low values for portfolio investments; the investments' exit timetables, and the status of any proceedings leading to a liquidity event; the financial performance of investments, including comparison of comparable companies' earning multiples; cash flow analysis; and recent sales prices of investments. Management at the State Treasurer's Office is responsible for the fair value measurements of investments reported in the financial statements. The State Treasurer's Office has implemented policies and procedures to assess the reasonableness of the fair values provided; the State Treasurer's Office believes that reported fair values at the balance sheet date are reasonable.

(a) *Interest Rate Risk – Investments*

As pension trust funds have a different investment term horizon based on a long average liability term, the VPIC manages exposure to fair value loss arising from movements in interest rates by establishing duration guidelines with its debt securities with core, core plus and Global Fixed Income investment managers, requiring that the duration be within a specified percentage of the duration band of the appropriate benchmark index. In the case of domestic Core Fixed Income managers the average duration (interest rate sensitivity) of an actively managed portfolio shall not differ from the appropriate passive benchmark's duration by more than +/- 25 percent. The Core Plus portfolio restriction is +/- two years around the passive benchmark duration. With respect to Global Fixed Income portfolios, current portfolio durations are restricted to a range of one to ten years. High yield fixed income portfolios prices and yields are not as directly correlated with the general level of interest rates and are duration monitored but not duration restricted. The calculation of the duration of mortgage backed securities involves assumptions as to the expected future prepayment rate for the security. The managers are required to calculate duration at the time of initial purchase and on a routine basis to maintain compliance with these guidelines. Fixed income managers are required to report portfolio characteristics quarterly inclusive of portfolio duration as a measure of portfolio interest rate sensitivity. Pension and Investment Trust Funds' Investments are as follows.

Pension and Investment Trust Funds' Investments
(Expressed in Thousands)

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>			
		<u>Less Than 1</u>	<u>1 to < 6</u>	<u>6 to 10</u>	<u>More Than 10</u>
Debt Investments					
US Agencies/Treasuries.....	\$ 496,386	\$ 10,612	\$ 42,145	\$ 12,226	\$ 431,403
Corporate Debt.....	619,536	21,106	244,111	222,405	131,914
Commercial Paper.....	19,588	19,588	-	-	-
Municipals.....	2,902	-	-	-	2,902
Asset Backed Securities.....	42,426	2	8,825	1,183	32,416
Mortgage Backed Securities.....	198,030	-	-	1,502	196,528
Sovereign Debt.....	87,564	4,733	31,954	37,219	13,658
Other.....	182	-	182	-	-
Total Debt Investments.....	<u>1,466,614</u>	<u>\$ 56,041</u>	<u>\$ 327,217</u>	<u>\$ 274,535</u>	<u>\$ 808,821</u>
Other Investments					
Mutual Funds.....	560,157				
Equity Securities.....	1,326,789				
Real Estate - Venture Capital.....	187,388				
Fixed Income - Derivatives.....	6,997				
Fixed Income - Short Positions.....	(489,870)				
Total.....	<u>\$ 3,058,075</u>				

The above includes \$29,834,049 in instruments that are classified as cash and short-term investments for balance sheet purposes.

(b) Concentration of Credit Risk

Formal guidelines for pension funds state that no more than 5% of the market value of a portfolio's domestic fixed income assets may be invested in the debt securities of any one issuer. No limitations on issues and issuers shall apply to obligations of U.S. Government and Federal Agencies. As of June 30, 2008, no issuer exceeded 5%.

(c) Credit Risk of Debt Investments

Detailed pension guidelines by asset class and supplemental requirements by investment manager are used to set risk parameters and are stated in written contracts. These guidelines are reviewed and adopted by VPIC.

Treasury staff and independent investment consultants are utilized to assure compliance. The credit risks associated with the Pension and Investment Trust Funds' securities are as follows.

Pension and Investment Trust Funds' Rated Debt Investments
(Expressed in Thousands)

<u>Debt Investments</u>	<u>Fair Value</u>	<u>Quality Ratings</u>		
		<u>Aaa</u>	<u>Aa</u>	<u>A</u>
US Government Agencies/Treasuries.....	\$ 496,386	\$ -	\$ -	\$ -
Corporate Debt.....	619,536	19,907	59,396	118,504
Money Market Mutual Fund.....	-	-	-	-
Commercial Paper.....	19,588	-	-	-
Bond Mutual Fund.....	-	-	-	-
Municipals.....	2,902	-	963	1,269
Asset Backed Securities.....	42,426	30,436	2,966	1,871
Collateralized Mortgage Obligations.....	198,030	116,238	8,410	462
Sovereign Debt.....	87,564	45,097	16,955	6,068
Other.....	182	182	-	-

continued below

<u>Debt Investments</u>	<u>Quality Ratings</u>				
	<u>Baa</u>	<u>Ba</u>	<u>B and below</u>	<u>Unrated</u>	<u>Short Term A1</u>
US Government Agencies/Treasuries.....	\$ -	\$ -	\$ -	\$ 496,386	\$ -
Corporate Debt.....	172,925	68,566	151,133	29,105	-
Money Market Mutual Fund.....	-	-	-	-	-
Commercial Paper.....	-	-	-	-	19,588
Bond Mutual Fund.....	-	-	-	-	-
Municipals.....	603	-	-	67	-
Asset Backed Securities.....	4,133	463	-	2,557	-
Collateralized Mortgage Obligations.....	341	-	-	72,579	-
Sovereign Debt.....	5,618	9,385	-	4,441	-
Other.....	-	-	-	-	-

(e) *Foreign Currency Risk*

Unless VPIC stipulates specific exceptions to the guidelines, the global bond portfolio may hold no more than 30% of its assets, at market value, or 120% of each country's benchmark weight (whichever is greater) in the debt securities of any single foreign government or non-U.S. government entity. For the purposes of this calculation, all countries within the European Single Currency shall count as one country. Single non-government debt security limitations are also set for the global bond portfolio. In the case of equities, the investment manager is afforded flexibility in the number of issues held and their geographic or industry distribution, provided that equity holdings are within the lesser of established percentage ranges in relative to single holding limitations and a stock's weighting in the style benchmark against which the manager is measured. Most foreign currency exposure is in the pension and investment trust funds' portfolios. The value in US dollars by foreign currency denomination and type of investment is as follows.

Pension and Investment Trust Funds
Foreign Currency Risk - International Securities at Fair Value

Currency	Total	Short Term	Debt ⁽¹⁾	Equity
Australian Dollar.....	\$ 43,872,127	\$ 850	\$ 7,151,924	\$ 36,719,353
Brazilian Real.....	2,319,327	172	2,319,155	-
Canadian Dollar.....	7,312,163	62,231	2,055,810	5,194,122
Colombian Peso.....	1,675,229	-	1,675,229	-
Danish Krone.....	710,106	222	-	709,884
Euro Currency.....	192,019,887	484,026	27,548,646	163,987,215
Hong Kong Dollar.....	7,109,896	346,250	-	6,763,646
Iceland Krona.....	1,959,227	-	1,959,227	-
Indonesian Rupiah.....	1,602,974	206	1,544,040	58,728
Israeli Shekel.....	55,093	55,093	-	-
Japanese Yen.....	117,572,381	1,394,737	28,736,421	87,441,223
Mexican Peso.....	8,456,211	368,909	6,272,551	1,814,751
New Russian Ruble.....	778,323	-	778,323	-
New Zealand Dollar.....	4,850,428	120,794	2,770,808	1,958,826
Norwegian Krone.....	1,048,095	1,849	789,789	256,457
Polish Zloty.....	3,806,944	1,578	3,805,366	-
Pound Sterling.....	76,203,869	491,437	13,157,943	62,554,489
Singapore Dollar.....	9,413,804	12,539	4,279,261	5,122,004
South African Rand.....	5,042,470	-	2,519,268	2,523,202
Swedish Krona.....	4,241,013	89,468	2,535,270	1,616,275
Swiss Franc.....	13,780,922	21,667	-	13,759,255
Thailand Baht.....	67,396	67,396	-	-
Total.....	\$ 503,897,885	\$ 3,519,424	\$ 109,899,031	\$ 390,479,430

⁽¹⁾ Corporate and Sovereign

Formal investment policy guidelines adopted by the VPIC state that international equity managers may enter into forward exchange contracts on currency provided that use of such contracts is designed to dampen portfolio volatility and facilitate securities transaction settlements rather than leverage portfolio risk exposure. In global fixed income accounts, opportunistic currency positioning may be utilized to hedge and cross-hedge the portfolio's currency risk exposure or in the settlement of securities transactions. The managers may vary the total portfolio exposure to currency from fully unhedged to fully hedged. The global fixed income managers are permitted to hedge all, some, or none of the portfolio's currency exposure. They are permitted to cross-hedge currency positions, but may not net short any currency, or net long more than 100% of the portfolio. VPIC has

funds allocated to a global allocation asset manager in the form of shares of a commingled trust. The manager for this trust may enter into long and/or short positions in currencies of the countries represented in established indices. The strategy is permitted to cross-hedge currency exposure and will actively manage its currency exposure. This active management may go beyond fully-hedged or unhedged currency exposure, and is provided for by a specific exemption to the VPIC general guidelines.

Fixed Income Short Positions

A short-sale of a security occurs when an investment manager places a sale order for an account without actually holding the underlying security for delivery. In some situations, short sales are entered into in anticipation of a decline in the fair value of a security; in other cases short sales are entered into as a hedge against potential losses from securities owned (held long) in an account. Short sales incur the risk of loss when the price of a security underlying the short sale increases and the fund is subject to a higher cost to purchase the security in order to cover the position. Short positions in the VPIC portfolio at June 30, 2008, are predominately related to hedging against losses in long securities positions and to managing the effective duration of an investment portfolio; as a result, while a short position may in and of itself expose the account to risk of loss, such potential losses are at least partially if not fully offset by securities held long. The use of short-sales in certain cases is provided for by written investment guidelines and incorporated in specific manager contracts.

Securities Lending Transactions

State statutes and boards of trustees' policies permit the Office of the Vermont State Treasurer to use investments of the three defined benefit pension plans to enter into securities lending transactions/loans of securities to broker dealers and other entities for collateral, with a simultaneous agreement to return the collateral for the same securities in the future. Pursuant to a Securities Lending Authorization Agreement, State Street Bank and Trust Company (State Street) was authorized to act as agent in lending securities to broker-dealers and banks.

During the fiscal year, State Street loaned, on behalf of Vermont, certain securities held by State Street as custodian, and received United States and foreign currency cash, securities issued or guaranteed by the United States government. Since State Street, acting on behalf of the State, did not have the ability to pledge or sell collateral securities absent a borrower default, securities lending is not recorded as an asset with a corresponding liability on the financial statements. Borrowers were required to deliver collateral for each loan equal to not less than one hundred and two percent (102%) of the market value of the loaned security.

The State did not impose any restrictions during the fiscal year on the amount of the loans that State Street made on its behalf. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year. There were no losses during the fiscal year resulting from a default of the borrowers or State Street.

During the fiscal year, the State and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. As of June 30, 2008, such investment pool had a weighted average maturity of 41.84 days and an average expected maturity of 395.61 days. Because the loans were terminable at will their duration did not generally match the duration of the investments made with cash collateral. On June 30, 2008, Vermont had no credit risk exposure to borrowers. The collateral held and the market values of securities on loan for Vermont as of June 30, 2008, were \$454,240,281 and \$437,835,702 respectively.

Authority to enter into securities lending transactions for the three retirement plans is as follows:

3 V.S.A. 471(m) Vermont State Employees' Retirement Fund

16 V.S.A. 1942(q) Vermont Teachers' Retirement Fund

24 V.S.A. 5062(o) Vermont Municipal Employees' Retirement Fund

Derivative Financial Instruments

Certain investment managers for the VPIC invest in derivative financial investments as authorized by the VPIC policy. Derivatives are financial arrangements between two parties whose payments are based on, or "derived" from, the performance of some agreed upon benchmark. At June 30, 2008, VPIC investments had four types of derivative financial instruments: futures, currency forwards, options, and swaps. All of the derivatives reported at June 30, 2008, are at fair market value. The futures and options are traded on exchanges and are marked-to-market daily using the prices as reported by Reuters (primary source). Currency forwards are traded over the counter using prices from WM Co. and Reuters. Interest rate swaps and credit default swaps are traded over the counter and are based on prices from the investment manager as provided by Pricing Direct Inc. (primary source). Swaptions are traded over the counter and are provided by the investment manager using Pricing Direct Inc. and Bloomberg as pricing sources.

Futures represent commitments to purchase (asset) or sell (liability) securities at a future date and at a specified price. Futures contracts are traded on organized exchanges (exchange traded) thereby minimizing the VPIC's credit risk. The net change in the futures contracts value is settled daily in cash with the exchanges. Net gains or losses resulting from the daily settlements are included with trading account securities gains (losses) in the Statement of Changes in Net Assets. At June 30, 2008, the VPIC's investments had the following futures balances:

	<u>Market Value of Contract</u>
Long positions equity futures	\$ 3,500
Long-term debt securities futures	657,382
Short-term debt securities futures	(29,614)

Currency forwards represent forward foreign exchange contracts that are entered into in order to hedge the exposure to changes in foreign currency exchange rate on the foreign currency dominated portfolio holdings. A forward foreign exchange contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. The gain or loss arising from the difference between the original contracts and the closing of such contracts is included in the net realized gains or losses on foreign currency related transactions. At June 30, 2008, the VPIC's investments included the following currency forwards balances:

Currency forwards - pending foreign exchange purchases	\$167,090
Currency forwards - pending foreign exchange sales	(495,556)

Options represent or give buyers the right, but not the obligation, to buy or sell an asset at a preset price over a specified period. The option's price is usually a small percentage of the underlying asset's value. As a writer of financial options, the VPIC receives a premium at the outset of the agreement and bears the risk of an unfavorable change in the price of the financial instrument underlying the option. As a purchaser of financial options, the VPIC pays a premium at the outset of the agreement and the counterparty bears the risk of an unfavorable change in the price of the financial instrument underlying the option. At June 30, 2008, the VPIC investments had the following option balances:

Purchased call options	\$11,713,558
Purchased put options	1,533,668
Written call options	(7,069,745)
Written put options	(550,318)

Swaps represent an agreement between two or more parties to exchange sequences of cash flows over a period in the future. At June 30, 2008 the VPIC had three different types of swap arrangements; interest rate swaps, credit default swaps and total return swaps. In the most common type of interest rate swap arrangement, one party agrees to pay fixed interest payments on designated dates to a counterparty who, in turn, agrees to make return interest payments that float with some reference rate. The interest rate swaps allowed the VPIC to effectively convert long term variable interest investments into fixed interest rate investments. Credit default swaps are used to manage credit exposure without buying securities outright. In a total return swap, one party makes payments based upon the total return of a reference asset such as an index

or basket of assets, and the other party pays a fixed or floating rate of interest plus any negative total returns on the reference asset. Total return swaps are used as substitutes for physical assets and to obtain exposure in markets where physical securities are not available. Gains and losses on swaps are determined based on market values and are recorded in the Statement of Changes in Net Assets. At June 30, 2008, the VPIC's investments had the following swap market value balances:

Interest Rate Swaps (142 positions)	\$(5,692,431)
Credit Default Swaps (288 positions)	6,574,659
Total Return Swaps (4 positions)	487,465

The above interest rate, credit default and total return bond swaps involved the following counterparties in one or more swap agreements:

Bank of America NA	Goldman, Sachs International
BNP Paribas	JP Morgan Chase Bank NA
Barclay's Bank	Lehman Brothers Special Financing Inc.
Citibank N.A.	Merrill Lynch Capital Services
Commonwealth Bank of Australia	Merrill Lynch International
Credit Suisse International	Morgan Stanley Capital Services
Deutsche Bank AG	Royal Bank of Scotland PLC
Goldman, Sachs Capital Markets LP	UBS AG

Asset-Backed Securities

The defined benefit pension trust funds hold mortgage-backed securities including collateralized mortgage obligations (CMOs) at fair value. Mortgage-backed securities represent a direct interest in a pool of mortgage loans. CMOs are bonds that are collateralized by whole loan mortgages, mortgages pass-through securities, or stripped mortgage-backed securities. Income is derived from payments and pre-payments of principal and interest generated from collateral mortgages. Cash flows are distributed to different investment tranches in accordance with the payment order established for the CMO instrument. Cash flows associated with these tranches may demonstrate varying degrees of sensitivity to interest rate fluctuations. A reduction in interest rates may cause some of the tranches to experience a reduction in fair value as prepayments reduce the interest payments, causing a decline in total cash flows. In a rising interest rate environment, an increase in interest payment and cash flows may cause an increase in fair value.

Risk is minimized through the purchase of high quality instruments with limited default or prepayment risk. Agency fixed and floating rate pass-throughs, U.S. Treasury securities and cash equivalents can be held without limitation. Securities designed to provide more precisely targeted maturities (Sequential Collateralized Mortgage Obligations) and those that create tranches, or Planned Amortization Classes (PAC I and PAC II), with cash flows that are protected from prepayment changes within certain limits, may also be purchased without limitation. Policy restrictions and portfolio percentage limitations are established for the purchase of more interest rate sensitive instruments and certain interest rate and price stress tests are required.

Asset-backed securities are collateralized by a loan, lease, or receivable other than real estate. Payments are collected by a servicer through a "pass-through" arrangement. As monthly payments of principal and interest are made, the pass-through security holder is entitled to a pro rata portion of the payments received. Risk of pre-payment varies with the underlying assets. Risk is minimized through the purchase of high quality instruments with limited default or prepayment risk.

Note 3: INTERFUND BALANCES

A. Due From/To Other Funds

Due from/to other funds result mainly from the time lag between the date that interfund goods and services are received or reimbursable costs are incurred, and the date the payment between the funds are made. The balances of due from/to other funds at June 30, 2008, are as follows.

Due From Other Funds	Due To Other Funds				
	Governmental Funds				
	General Fund	Transportation Fund	Education Fund	Special Fund	Federal Revenue Fund
General Fund	\$ -	\$ 13,591	\$ -	\$ 17,598	\$ 1,406,060
Transportation Fund	14,065	-	-	660	-
Special Fund	11,139	5,590	-	-	414,801
Federal Revenue Fund	43,779	-	-	219,486	-
Global Commitment Fund	-	-	50,332	12,215	-
Non-major Governmental Funds	-	-	-	7,037	-
Liquor Control Fund	-	-	-	-	-
Vermont Lottery Commission	-	-	23,513	-	-
Non-major Enterprise Funds	-	-	-	-	-
Fiduciary Funds	161,610	-	-	-	13,824
Total	\$ 230,593	\$ 19,181	\$ 73,845	\$ 256,996	\$ 1,834,685

continues below

Due From Other Funds	Governmental Funds		Enterprise Funds	
	Global Commitment Fund	Non-major Governmental Funds	Unemployment Compensation Trust Fund	Liquor Control Fund
General Fund	\$ 65,429	\$ 8,982	\$ -	\$ 334,456
Transportation Fund	-	154	-	-
Special Fund	130,780	1,114	-	-
Federal Revenue Fund	68,768	-	-	-
Global Commitment Fund	-	-	-	-
Non-major Governmental Funds	-	-	-	-
Liquor Control Fund	-	-	-	-
Vermont Lottery Commission	-	-	-	-
Non-major Enterprise Funds	-	-	41,504	-
Fiduciary Funds	-	-	-	-
Total	\$ 264,977	\$ 10,250	\$ 41,504	\$ 334,456

continues below

Due From Other Funds	Internal Service Funds	Fiduciary Funds	Total
General Fund	\$ 1,779,494	\$ 13,970	3,639,580
Transportation Fund	530,115	-	544,994
Special Fund	194,913	-	758,337
Federal Revenue Fund	129,979	-	462,012
Global Commitment Fund	55,823	-	118,370
Non-major Governmental Funds	-	-	7,037
Liquor Control Fund	15,981	-	15,981
Vermont Lottery Commission	3,169	-	26,682
Non-major Enterprise Funds	19,715	-	61,219
Fiduciary Funds	263	-	175,697
Total	\$ 2,729,452	\$ 13,970	\$ 5,809,909

B. Advances To/From Other Funds

The General Fund has made cash advances to certain proprietary funds for imprest petty cash disbursement needs. The General Fund advances to other funds at June 30, 2008, are summarized below.

Proprietary Funds	
Vermont Lottery Fund	\$ 300,000
Liquor Control Fund	6,300
Non-major Proprietary Funds	2,900
Internal Service Funds	<u>15,100</u>
Total	<u>\$ 324,300</u>

C. Interfund Receivables/Payables

The primary government cash in most funds is pooled in the State Treasurer's accounts. When a fund has a deficit cash balance, this amount is reclassified to a liability account - interfund payable. The General Fund reports the corresponding interfund receivable for the cash borrowed from the pool. The following funds at June 30, 2008, reported interfund payables. It is expected that certain amounts due the General Fund from the Internal Service Funds will not be repaid within one year. It is expected that these interfund payables will be reduced in future years through changes to billing rates and management of operations.

Proprietary Funds	
Non-major Enterprise Funds	\$ 1,436,749
Internal Service Funds	<u>35,950,090</u>
Fiduciary Funds	
Agency Funds	<u>84,094</u>
Total	<u>\$ 37,470,933</u>

D. Inter - Primary Government/Component Unit Balances

Due from component units consist of the amounts owed to the primary government for programs administered by component units in accordance with memoranda of understanding with State departments and for the elimination of negative balances in the State Treasurer's pooled cash.

At June 30, 2008, these account balances are as follows:

	Due to Primary Government		
	Vermont	Vermont	Total
	Housing &	Economic	
Due from Component Units	Conservation	Development	
General Fund	Vermont Housing & Conservation Trust Fund	Vermont Economic Development Authority	
General Fund	\$ 2,675,808	\$ -	\$ 2,675,808
Special Fund	-	31,463	31,463
Total	\$ 2,675,808	\$ 31,463	\$ 2,707,271

Due to component units consists of \$368,354 due from the Special Fund to the Vermont Economic Development Authority associated with reserves for the insured loan programs.

E. Interfund Transfers

Transfers between funds occur when one fund collects revenues and transfers the assets to another for expenditure or when one fund provides working capital to another fund. All transfers are legally authorized by the Legislature through either statute or Appropriation Acts. Interfund transfers for the fiscal year ending June 30, 2008, are as follows.

	Transfers Out				
	Governmental Funds				
Transfers In	General Fund	Transportation Fund	Education Fund	Special Fund	Federal Revenue Fund
General Fund	\$ -	\$ -	\$ 4,700,000	\$ 9,747,225	\$ 2,617,923
Transportation Fund	-	-	-	72,580	-
Education Fund	280,200,000	-	-	6,450,791	-
Special Fund	11,686,058	2,004,769	-	-	33,779,813
Federal Revenue Fund	-	-	-	2,509,585	-
Global Commitment Fund	118,516,272	-	-	184,251,953	498,745,566
Non-major Governmental Funds	-	385,743	-	36,802	-
Non-major Enterprise Funds	-	-	-	-	-
Internal Service Funds	1,950,000	1,120,000	-	-	-
Total	\$ 412,352,330	\$ 3,510,512	\$ 4,700,000	\$ 203,068,936	\$ 535,143,302

continues below

	Transfers Out				
	Proprietary Funds				
Transfers In	Governmental Funds	Non-major Governmental Funds	Unemployment Compensation Trust Fund	Liquor Control Fund	Vermont Lottery Commission
General Fund	\$ -	\$ 7	\$ -	\$ 836,519	\$ -
Transportation Fund	-	-	-	-	-
Education Fund	-	-	-	-	22,567,382
Special Fund	23,042,508	50,000	-	-	150,000
Federal Revenue Fund	-	2,735,948	-	-	-
Global Commitment Fund	-	-	-	-	-
Non-major Governmental Funds	-	-	-	-	-
Non-major Enterprise Funds	-	-	402,382	-	-
Internal Service Funds	-	-	-	-	-
Total	\$ 23,042,508	\$ 2,785,955	\$ 402,382	\$ 836,519	\$ 22,717,382

continues below

	Transfers Out			
	Non-major Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
Transfers In				
General Fund	\$ 1,290	\$ 48,129	\$ 3,485,885	\$ 21,436,978
Transportation Fund	-	1,220,000	-	1,292,580
Education Fund	-	-	-	309,218,173
Special Fund	344,418	2,495,850	-	73,553,416
Federal Revenue Fund	-	-	-	5,245,533
Global Commitment Fund	-	-	-	801,513,791
Non-major Governmental Funds	-	-	57,209	479,754
Non-major Enterprise Funds	-	-	-	402,382
Internal Service Funds	-	-	-	3,070,000
Total	\$ 345,708	\$ 3,763,979	\$ 3,543,094	\$ 1,216,212,607

The Education Fund received transfers from the General Fund and the Vermont Lottery Commission to support the general State grant for local education and transfers from the Special Fund for local school reimbursement of medicaid eligible costs.

The Special Fund received transfers from the General Fund for the Next Generation Initiative, from the Federal Revenue Fund for the low income home energy assistance program, and from the Global Commitment Fund for education medicaid reimbursements.

The Global Commitment Fund received transfers from the General, Special and Federal Revenue Funds for medicaid related services provided under the Vermont Global Commitment to Health medicaid waiver.

Note 4: CAPITAL ASSETS

Capital Assets activities for the fiscal year ended June 30, 2008, were as follows:

Primary Government

Governmental Activities	Beginning Balance	Additions	Deletions	Reclassifications & Donations	Ending Balance
Capital assets, not being depreciated:					
Land and land improvements.....	\$ 71,235,760	\$ 1,704,231	\$ -	\$ -	\$ 72,939,991
Construction in process.....	294,136,082	139,686,497	(122,528,825)	(6,428,021)	304,865,733
Works of art.....	136,003	-	-	-	136,003
Total capital assets, not being depreciated...	365,507,845	141,390,728	(122,528,825)	(6,428,021)	377,941,727
Capital assets, being depreciated:					
Buildings and improvements.....	349,657,915	11,465,209	(399,492)	1,254,208	361,977,840
Machinery and equipment.....	135,329,600	14,510,206	(10,183,324)	(27,955)	139,628,527
Infrastructure.....	1,263,425,656	111,878,990	(19,125,121)	-	1,356,179,525
Total capital assets, being depreciated.....	1,748,413,171	137,854,405	(29,707,937)	1,226,253	1,857,785,892
Less accumulated depreciation for:					
Buildings and improvements.....	(143,701,337)	(12,772,934)	186,613	-	(156,287,658)
Machinery and equipment.....	(86,366,021)	(13,878,593)	8,829,220	116	(91,415,278)
Infrastructure.....	(556,223,378)	(48,078,887)	19,125,121	-	(585,177,144)
Total accumulated depreciation	(786,290,736)	(74,730,414)	28,140,954	116	(832,880,080)
Total capital assets, being depreciated, net..	962,122,435	63,123,991	(1,566,983)	1,226,369	1,024,905,812
Governmental activities capital assets, net...	\$ 1,327,630,280	\$ 204,514,719	\$ (124,095,808)	\$ (5,201,652)	\$ 1,402,847,539

Business-type Activities	Beginning Balance	Additions	Deletions	Reclassifications & Donations	Ending Balance
Capital assets, being depreciated:					
Buildings and improvements.....	\$ 86,135	\$ -	\$ -	\$ -	\$ 86,135
Machinery and equipment.....	1,125,425	363,350	(123,034)	-	1,365,741
Total capital assets, being depreciated	1,211,560	363,350	(123,034)	-	1,451,876
Less accumulated depreciation for:					
Buildings and improvements.....	(49,419)	(5,454)	-	-	(54,873)
Machinery and equipment.....	(749,961)	(185,994)	122,681	-	(813,274)
Total accumulated depreciation.....	(799,380)	(191,448)	122,681	-	(868,147)
Total capital assets, being depreciated, net..	412,180	171,902	(353)	-	583,729
Business-type activities capital assets, net..	\$ 412,180	\$ 171,902	\$ (353)	\$ -	\$ 583,729

Fiduciary Funds	Beginning Balance	Additions	Deletions	Reclassifications & Donations	Ending Balance
Capital assets, not being depreciated:					
Construction in process.....	\$ 1,529,753	\$ 1,061,560	\$ (183,814)	\$ -	\$ 2,407,499
Total capital assets, not being depreciated...	<u>1,529,753</u>	<u>1,061,560</u>	<u>(183,814)</u>	<u>-</u>	<u>2,407,499</u>
Capital assets, being depreciated:					
Machinery and equipment.....	-	183,814	-	-	183,814
Total capital assets, being depreciated.....	<u>-</u>	<u>183,814</u>	<u>-</u>	<u>-</u>	<u>183,814</u>
Less accumulated depreciation for:					
Machinery and equipment.....	-	(71,994)	-	-	(71,994)
Total accumulated depreciation.....	<u>-</u>	<u>(71,994)</u>	<u>-</u>	<u>-</u>	<u>(71,994)</u>
Total capital assets, being depreciated, net.....	<u>-</u>	<u>111,820</u>	<u>-</u>	<u>-</u>	<u>111,820</u>
Fiduciary capital assets, net.....	<u>\$ 1,529,753</u>	<u>\$ 1,173,380</u>	<u>\$ (183,814)</u>	<u>\$ -</u>	<u>\$ 2,519,319</u>

Current period depreciation expense was charged to functions of the Primary Government as follows:

Governmental Activities:

General Government.....	\$ 9,486,800
Protection to Persons and Property.....	6,147,577
Human Services.....	755,715
Labor.....	146,389
General Education.....	13,915
Natural Resources.....	1,579,330
Commerce & Community Development.....	122,166
Transportation.....	48,743,890
Depreciation on capital assets held by Internal Service Funds	7,734,632
Total.....	<u>\$ 74,730,414</u>

Business-type Activities:

Liquor Control.....	\$ 165,856
Lottery Commission.....	23,812
Vermont Life.....	1,780
Total.....	<u>\$ 191,448</u>

Fiduciary Activities:

Pension Trust Funds.....	\$ 71,994
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Note 5: RETIREMENT PLANS AND OTHER POSTEMPLOYMENT BENEFITS

In accordance with State statutes, the State Treasurer and the individual retirement systems' Board of Trustees administer the State's three defined benefit pension plans three defined contribution plans, and three other postemployment benefit plans. These systems are considered part of the State's reporting entity and are included in the accompanying fiduciary fund type financial statements as pension and other postemployment benefit trust funds. There are no separate stand-alone financial statements issued for these plans.

Summary of significant accounting policies — basis of accounting and valuation of investments

The financial statements for the pension and other postemployment benefit trust funds are prepared using the accrual basis of accounting. Plan members' contributions are recognized in the period in which the contributions are due. The employers' contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans. All investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price on June 30, 2008. Securities without an establish market are reported at estimated fair value.

A. Defined Benefit Retirement Plans**Retirement Plan Descriptions**

The Vermont State Retirement System (VSRS) (3 V.S.A. Chapter 16) is a single-employer public employee defined benefit retirement system which covers substantially all general State employees and State Police, except employees hired in a temporary capacity. Membership in the system is a condition of employment. The membership consists of:

- general employees who did not join the non-contributory system on July 1, 1981 (Group A), with a contribution rate of 5.1% of payroll (contributions cease upon attainment of 25 years of creditable service);
- State police, law enforcement positions, and airport firefighters hired after July 1, 2000, (Group C), with a contribution rate of 6.98% of payroll;
- judges (Group D), with a contribution rate of 5.1% of payroll;
- terminated vested members of the non-contributory system (Group E); and
- all other general employees (Group F), with a contribution rate of 3.35% of payroll.

Effective July 1, 2008, the contribution rate for Group F employees was raised, through legislation enacted in fiscal year 2008, to 5.1% of payroll though June 30, 2019, and 4.85% of payroll thereafter, due to increases in the cost of living benefit for all Group F employees and other benefit changes. These additional changes were enacted for Group F members who are new to the membership of the Vermont State Retirement System on or after July 1, 2008 are outlined below:

- normal retirement date will be 87 (combination age and service) points or 65 years of age,
- maximum pension benefit will be increased from 50% to 60% of Average Final Compensation (AFC) using existing multipliers, and
- revised early retirement penalty that rewards length of service.

The State Teachers' Retirement System (STRS) (16 V.S.A. Chapter 55) is a cost-sharing, is a cost-sharing public employee defined benefit retirement system with a special funding situation. It covers nearly all public day school and nonsectarian private high school teachers and administrators as well as teachers in schools and teacher training institutions within and supported by the State that are controlled by the State board of education. Membership in the system for those covered classes is a condition of employment. The membership consists of:

- general teachers who did not join the non-contributory system on July 1, 1981 (Group A), with a contribution rate of 5.5% of payroll (contributions cease upon attainment of 25 years of creditable service);
- terminated vested members of the non-contributory system (Group B); and
- all other general teachers (Group C), with a contribution rate of 3.54% of covered payroll.

The State appropriates funding for pension costs associated with the above two plans. In fiscal years prior to 1982, both systems were solely contributory. Under legislation effective July 1, 1981, Vermont State employees and State teachers could elect to transfer their current memberships from a contributory to a non-contributory membership class (see Single Deposit Investment Account in section B - defined contribution plans). However, in 1990, the Legislature again made both systems contributory effective July 1, 1990, for the STRS and January 1, 1991, for the VSRS. The State's contribution to each system is based on percentage rates of each member's

annual earnable compensation. These rates include a “normal contribution” rate and an “accrued liability contribution” rate and are calculated based upon the liabilities of each system as determined by actuarial valuations.

The Vermont Municipal Employees’ Retirement System (MERS) (24 V.S.A., Chapter 125) is a cost-sharing, multiple-employer public employees’ retirement system that is administered by the State Treasurer and its Board of Trustees. There are 437 municipalities participating in the defined benefit plan. It is designed for school districts and other municipal employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution’s operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirement is required to join the system.

Prior to July 1, 1987, the State was statutorily responsible for the employer contributions to the MERS. Effective July 1, 1987, and thereafter, all employer contributions to the MERS are supported entirely by employer (municipal) and employee contributions. Employers make quarterly contributions that are paid based on percentages of annual earnable compensation for each membership group and consist of a “normal” and an “accrued liability” portion. The percentage rates of such contributions are fixed on the basis of the liabilities of the system pursuant to actuarial valuations.

Copies of each individual defined benefit retirement plan’s annual actuarial valuation report, information describing each defined benefit plan’s provisions including vesting requirements, benefits provided, post retirement adjustments, etc., and information relating to the three defined contribution plans are available for inspection at the Retirement Division, Office of the State Treasurer, 109 State Street, Montpelier, Vermont 05609-6901.

The defined benefit plans’ financial statements are on the following pages.

Statement of Plan Net Assets
Defined Benefit Plans
June 30, 2008

	Vermont State Retirement Fund	State Teachers' Retirement Fund	Vermont Municipal Employees' Retirement Fund
Assets:			
Cash and short term investments.....	\$ 2,480,523	\$ 3,162,383	\$ 1,349,355
Receivables:			
Contributions - current.....	3,798,026	2,522,316	1,027,017
Contributions non-current.....	-	-	11,051,031
Interest and dividends.....	11,272	13,792	572,680
Due from other funds.....	149,073	-	29,889
Other.....	-	264,169	-
Investments at Fair value:			
Pooled investments.....	1,272,646,888	1,488,625,458	312,272,761
Fixed income.....	497	28	4,196
Equities.....	-	1,462	-
Real estate and venture capital.....	2,102,641	5,739,881	767,390
Prepaid expenses.....	1,424,823	1,284,417	-
Capital assets, net of depreciation.....	<u>1,035,800</u>	<u>1,186,960</u>	<u>296,558</u>
Total assets.....	<u>1,283,649,543</u>	<u>1,502,800,866</u>	<u>327,370,877</u>
Liabilities:			
Accounts payable.....	1,075,176	1,270,637	269,094
Retainage payable.....	80,495	98,357	41,681
Due to other funds.....	-	111,693	-
Total liabilities.....	<u>1,155,671</u>	<u>1,480,687</u>	<u>310,775</u>
Net assets held in trust			
for employees' pension benefits.....	<u>\$ 1,282,493,872</u>	<u>\$ 1,501,320,179</u>	<u>\$ 327,060,102</u>

Statement of Changes in Plan Net Assets
Defined Benefit Plans
For the fiscal year ended June 30, 2008

	Vermont State Retirement Fund	State Teachers' Retirement Fund	Vermont Municipal Employees' Retirement Fund
Additions :			
Contributions			
Employer - pension benefit.....	\$ 22,811,627	\$ 24,299,097	\$ -
Employer - healthcare benefit.....	16,368,196	15,250,000	-
Plan member.....	18,614,102	22,918,798	9,906,709
Transfers from other pension trust funds.....	166,746	221,773	124,132
Transfers from non-state systems.....	3,238	-	-
Medicare part D drug subsidy.....	-	1,406,469	-
Total contributions.....	57,963,909	64,096,137	10,030,841
Investment Income:			
Net appreciation (depreciation) in fair value of investments.....	35,834,967	38,255,622	8,147,578
Income (loss) from pooled investments.....	(132,073,225)	(161,803,403)	(31,438,559)
Dividends.....	4,513,469	5,733,058	1,033,561
Interest income.....	10,237,214	11,073,277	3,426,899
Securities lending income.....	2,220,415	2,648,751	502,161
Other income.....	526,239	545,228	72,972
Total investment income (loss).....	(78,740,921)	(103,547,467)	(18,255,388)
Less Investment Expenses:			
Investment managers and consultants.....	4,850,023	5,798,123	1,089,451
Securities lending expenses.....	565,310	674,044	127,815
Total investment expenses.....	5,415,333	6,472,167	1,217,266
Net investment income (loss).....	(84,156,254)	(110,019,634)	(19,472,654)
Total additions.....	(26,192,345)	(45,923,497)	(9,441,813)
Deductions:			
Retirement benefits.....	64,060,488	82,157,642	9,064,725
Other post employment benefits.....	16,371,373	15,081,847	-
Refunds of contributions.....	1,414,144	1,280,715	1,143,397
Death claims.....	332,573	391,483	217,602
Transfers to other pension trust funds.....	298,748	151,182	289,215
Depreciation.....	26,638	30,957	14,399
Operating expenses.....	1,227,939	835,516	609,220
Total deductions.....	83,731,903	99,929,342	11,338,558
Change in net assets.....	(109,924,248)	(145,852,839)	(20,780,371)
Net assets held in trust for employees' pension benefits:			
July 1	1,392,418,120	1,647,173,018	347,840,473
June 30.....	\$ 1,282,493,872	\$ 1,501,320,179	\$ 327,060,102

Plan Membership

At June 30, 2008, VSRS, STRS, and MERS membership consisted of:

	<u>VSRS</u>	<u>STRS</u>	<u>MERS</u>
Active employees:			
Vested.....	5,753	7,902	3,424
Non-vested.....	<u>2,689</u>	<u>2,783</u>	<u>2,995</u>
Total active employees.....	8,442	10,685	6,419
Retirees and beneficiaries of deceased retirees currently receiving benefits.....	4,555	5,555	1,447
Terminated employees entitled to benefits but not yet receiving them (vested).....	789	705	486
Inactive members.....	<u>900</u>	<u>2,929</u>	<u>2,035</u>
Total participants.....	<u>14,686</u>	<u>19,874</u>	<u>10,387</u>

Actuarial Valuation- Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The actuarial method for both the STRS and the VSRS plans is set by State statute. Through fiscal year 2005, the method used was entry age normal (EAN) with frozen initial liability (FIL). The Legislature enacted a statute change revising the method to entry age normal without FIL for the actuarial valuation for the year ending June 30, 2006, which effectively restated the starting balance.

Under the previous method, set by State statute, the unfunded liability was frozen at 1988 levels. Any impact of underfunding subsequent to the "freezing" of the liability in 1988 falls to normal cost instead of being added to the unfunded liability as in more conventional funding methods. If funding levels approximate the actuarially required contribution (ARC), as in the case of the funding of VSRS, the effect of changing from EAN-FIL to EAN is attributable to variances between the actuarial assumptions and experience.

State statute provides that at least once in each five-year period, the State's actuary is to make an investigation into the mortality, service, and comprehensive experience of the members and beneficiaries of the system and make recommendations for certain modifications of the actuarial assumptions, as needed. These experience studies are conducted on a staggered basis for the three systems.

Such a study was completed for the VSRS for the period covering July 1, 2001 through June 30, 2006. Those changes were reflected in the June 30, 2007 valuation report. A change in application of an assumption related to joint survivorship for Group C members was included in the June 30, 2008 valuation.

During December 2007, an experience study was conducted for the STRS for the period covering July 1, 2002 through June 30, 2007. As a result of this experience study performed by Buck Consultants and recent changes adopted by the STRS's Board of Trustees, changes in the actuarial assumptions were made in the valuation report for the period ending June 30, 2008. The liability for inactive members was raised from 150% to 300% of employee contributions with interest, and various decrement tables were updated to more closely match the anticipated future experience of the system. In the June 30, 2008 STRS valuation, these changes resulted in an increase in an actuarial accrued liability by \$45,302,660 while the normal cost declined by \$8,885,999.

The changes to the VSRS benefit/system provisions are a result of statutory changes enacted by the Legislature in May 2008, after the completion of the fiscal year 2007 valuation. The annual-cost-of-living adjustment (COLA) applicable to the benefits of Group F members retiring on or after July 1, 2008, will rise from 50% of the annual increase of the Consumer Price Index (CPI) to 100% of the annual increase in the CPI index, up to a ceiling of 5%, effective January 1, 2014. Only current Group F members who are actively contributing into the system on June 30, 2008, and retire on or after July 1, 2008, will be eligible for the enhanced COLA in 2014. Group F members who have terminated service or transferred to another group plan prior to June 30, 2008, will not be eligible for the new COLA unless they return to active group F service after July 1, 2008 and prior to retirement. The COLA changes result in an increase in the actuarial accrued liability of \$56,379,626 and an increased normal cost of \$3,514,150. Under the same legislation, the Group F member contribution was raised, as noted above, which led to an increase of \$6,363,368 in expected employee contributions for fiscal year 2009. A change effective July 1, 2008, in the amount of service required for an ordinary in-service death benefit was lowered from 20 years to 10 years which led to insignificant changes in the normal cost and accrued liability and are reflected in the following table.

Investment experience accounted for \$23,651,900 of the \$36,410,925 in net actuarial losses for VSRS. Other significant factors increasing the actuarial loss for VSRS include non-reimbursed expenses, new members with prior service, and retirement, termination and disability experience. These were partially offset by COLA experience, mortality among retirees, and various other factors. Investment experience accounted for \$26,035,387 of the \$56,901,270 net actuarial loss for STRS. Other significant factors increasing the actuarial loss were expenses other than investment expenses, termination experience, and new entrants with prior service. Retirement and COLA experience partially offset this as well as other factors.

The actuary has estimated the change in the unfunded actuarial accrued liability between June 30, 2007 and June 30, 2008, as follows.

	VSRS	STRS
Unfunded actuarial accrued liability, June 30, 2007.....	\$ (11,043,959)	\$ 274,790,333
Normal cost.....	39,091,226	42,871,112
Contribution paid.....	(41,609,832)	(64,096,137)
Interest on unfunded liability, normal cost and contribution.....	631,506	23,615,496
Actuarial gains and losses/experience.....	36,410,925	56,901,270
Assumption changes.....	7,231,106	45,302,660
Changes to benefits/system provisions.....	56,389,496	120,335
Unfunded actuarial accrued liability, June 30, 2008.....	<u>\$ 87,100,468</u>	<u>\$ 379,505,069</u>

Actuarial Assumptions & Methods

Below are listed the various actuarial methods and significant assumptions used to determine the annual required contributions at the State level for VSRS and STRS, and by the participating employers for MERS (which is not funded by the State).

	VSRS	STRS	MERS
Valuation date	06/30/08	06/30/08	07/01/08
Actuarial cost method ⁽¹⁾	Entry Age Normal	Entry Age Normal	Projected benefit cost method
Amortization method	Level percentage of payroll	Level percentage of payroll	Level percentage of payroll
Remaining amortization period ⁽²⁾ All closed basis	10 years /30 years ⁽³⁾	28 years	10 years
Asset valuation method	Preliminary Asset Value plus 20% difference between market and preliminary asset value	Preliminary Asset Value plus 20% difference between market and preliminary asset value	Actuarial value of assets using a five year smoothing technique
Actuarial assumptions			
Investment rate of return ⁽⁴⁾	8.25%	8.25%	8.00%
Projected salary increases	4.67%-7.79%	4.41%-10.68%	5.6%
Cost-of-living adjustments	1.5%-3.0%	1.5%-3.0%	1.5%-1.8%
Post Retirement Adjustments			
Allowances in payment for at least one year adjusted for cost of living based on CPI but not in excess of percentage indicated	Groups A, C & D - 5%	Group A - 5%	N/A
Allowances in payment for at least one year adjusted for cost of living based on one-half of CPI but not in excess of percentage indicated	Group F - 5% ⁽⁵⁾	Group C - 5%	Group A - 2% Groups B, C & D - 3%

⁽¹⁾ Beginning with 6/30/06, the actuarial cost method was changed to the Entry Age Normal method for VSRS and STRS.

⁽²⁾ The 30-year period for amortization of the unfunded actuarial accrued liability was restarted effective 7/1/06 for STRS.

⁽³⁾ Recently negotiated benefits for Group F members including cost of living benefits changes and benefit changes affecting new hires after July 1, 2008 are amortized separately over a 30 year period.

⁽⁴⁾ Beginning with 6/30/06, the funding interest rate has been raised from 8.00% per year to 8.25% per year for STRS. The VSRS rate was raised from 8.0% to 8.25% effective 6/30/07.

⁽⁵⁾ The Group F cost of living adjustment will be increased to equal the full CPI, effective January 1, 2014 for employees who are actively contributing into the system on June 30, 2008 and retire on or after July 1, 2008 will be eligible for the enhanced COLA.

Annual Pension Cost and Net Pension Obligation

The State's annual pension cost and net pension obligation (NPO) to the Vermont State Retirement System and the State Teachers' Retirement System at June 30, 2008 were as follows:

	VSRS	STRS
Annual Required Contribution (ARC).....	\$42,375,068	\$41,204,051
Interest on NPO.....	3,342,307	13,958,082
Adjustment to ARC.....	<u>(4,269,499)</u>	<u>(9,005,231)</u>
Annual Pension Cost (APC).....	41,447,876	46,156,902
Employer Contribution Made.....	<u>(39,193,942)</u>	<u>(39,549,097)</u>
Increase in NPO.....	2,253,934	6,607,805
NPO - Beginning of Year.....	40,512,811	169,188,878
NPO - End of Year.....	<u>\$42,766,745</u>	<u>\$175,796,683</u>
Percentage of ARC contributed.....	92.49%	95.98%

Schedule Of Employer Contributions

Year Ended 6/30	Annual Pension Cost	Percentage Contributed	Net Pension Obligation Balance
VSRS			
2006	\$ 37,782,274	97.58%	\$40,555,260
2007	39,254,553	100.11%	40,512,811
2008	41,447,876	94.56%	42,766,745
STRS			
2006	55,484,063	44.06%	164,319,830
2007	43,365,458	86.11%	169,188,878
2008	46,156,902	85.68%	175,796,683

Funded Status and Funding Progress

The following is funded status information for the three defined benefit plans as the most recent valuation date, with amounts in thousands:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
VSRS						
6/30/2008	\$1,377,101	\$ 1,464,202	\$ 87,101	94.1%	\$ 404,938	21.5%
STRS						
6/30/2008	\$1,605,462	\$ 1,984,967	\$ 379,505	80.9%	\$ 535,807	70.8%
MERS						
7/1/2008	\$ 348,740	\$ 343,685	\$ (5,055)	101.5%	\$ 175,894	-2.9%

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

B. Defined Contribution Retirement Plans

Vermont State Defined Contribution Plan

In accordance with Title 3 of the Vermont Statutes Annotated, Chapter 16A, the State established an optional defined contribution plan for exempt state employees effective January 1, 1999. The Vermont State Defined Contribution Plan is reported in the pension and other postemployment benefits trust funds.

At inception of the plan, the actuarial calculations were performed on a cost-neutral basis so that the accrued balances and liabilities were equivalent. Approximately 375 exempt employees representing 45% of the eligible employees elected to transfer to the defined contribution plan. Assets totaling \$21 million were transferred from the defined benefit plan to the defined contribution plan on January 4, 1999, as a result of the election. As the attendant decrease in liabilities in the defined benefit plan was equal to \$21 million, there was no material effect on the financial health of the defined benefit system resulting from the transfer. Exempt employees hired after January 1, 1999, have a one-time opportunity to elect either the defined benefit or defined contribution plan.

Employees are required to contribute at the rate of 2.85%. The State is required to contribute to each employee's account at the rate of 7% of the employee's compensation for each payroll period. An employee becomes vested in the plan after completion of 23 months of creditable service as a State employee. For the fiscal year ended June 30, 2008, plan member contributions were \$692,433 and State employer contributions were \$1,959,169, while members transferred \$292,049 into the defined contribution plan from other pension plans and non-state systems. As of June 30, 2008, the Vermont State Defined Contribution Plan's net assets totaled \$39,161,121, and there were 585 participants.

Vermont Municipal Employees' Defined Contribution Plan

The Vermont Municipal Employees' Defined Contribution Plan (24 V.S.A. 5070) was implemented by the Vermont Municipal Employees' Retirement System's Board of Trustees on July 1, 2000, and is reported in the pension and other postemployment benefits trust funds. The defined contribution plan was offered by municipal employers to one or more groups of their eligible employees. Once offered by the employer, each eligible employee was required to make an election to participate. There are 93 municipalities participating in the defined contribution plan, and 73 of those municipalities have participating employees. Employees participating in one of the municipal defined benefit plans who elected to participate in the defined contribution plan had the July 1, 2001, actuarial value of their accrued defined benefit plan transferred to the defined contribution plan. Employers that did not offer the defined contribution plan to their employees as of December 31, 1999, will have an opportunity to do so no later than December 31 of any subsequent year with the transfer effective July 1 of the following year.

Participating municipal employees and their employers are required to contribute at the rate of 5%. Effective July 1, 2008, employers began contributing 5.125% while employee contribution percentages remain unchanged. Employees become vested in the plan after 12 months of service. For fiscal year ending June 30, 2008, plan participants and the municipalities contributed \$625,341 and \$625,539 respectively, while members transferred \$179,327 into the defined contribution plan from other pension plans and non-state systems. As of June 30, 2008, the Municipal Employees' Defined Contribution Plan's net assets totaled \$13,275,745, and there were 594 participants.

Single Deposit Investment Account

The Single Deposit Investment Account (SDIA), a non-contributory defined contribution plan, was established according to the provisions of Public Act 41 of the 1981 Session. The Act authorized a new Group B noncontributory plan within the State Teachers Retirement System (STRS) and a new Group E non-contributory plan within the Vermont State Retirement System (VSRS). The SDIA is reported as a pension trust fund.

The STRS's members in the Group A contributory plan could elect to either remain in the Group A plan or transfer to the new Group B non-contributory plan. Group A members electing to transfer to the Group B plan had their choice between the following three options:

- have both their accumulated employee contributions and accumulated interest returned to them; or
- have their accumulated contributions returned to them and only their accumulated interest invested by the retirement board in the SDIA; or
- have both their accumulated employee contributions and accumulated interest invested by the retirement board in the SDIA.

The VSRS's members in the Group A contributory plan could elect to either remain in the Group A plan or transfer to the new Group E non-contributory plan. Group A members electing to transfer to the Group E plan had their choice between the following three options:

- have both their accumulated employee contributions and accumulated interest returned to them; or
- have their accumulated contributions returned to them and only their accumulated interest invested by the retirement board in the SDIA; or
- have both their accumulated employee contributions and accumulated interest invested by the retirement board in the SDIA.

No additional contributions could be made to the SDIA beyond those described above. The SDIA funds are not available to the members until they retire or terminate employment. At June 30, 2008, there were 2,213 members, with net assets of \$84,574,089 in the Single Deposit Investment Account.

The following pages contain the financial statements for the defined contribution plans.

Statement of Plan Net Assets
Defined Contribution Plans
June 30, 2008

	Defined Contribution Plans		
	Vermont State Defined Contribution Fund	Single Deposit Investment Account Fund	Vermont Municipal Employees' Defined Contribution Fund
Assets:			
Cash and short term investments.....	\$ 284,111	\$ 4,475,160	\$ 66,231
Receivables:			
Contributions - current.....	155,998	-	17,318
Interest and dividends.....	-	574,821	-
Investments sold.....	-	4,112,227	-
Investments at Fair value:			
Fixed income.....	-	85,873,527	-
Equities.....	-	565,650	-
Mutual funds.....	38,732,811	-	13,222,481
Prepaid expenses.....	35,211	-	-
Total assets.....	39,208,131	95,601,385	13,306,030
Liabilities:			
Payable for investments purchased.....	-	11,027,296	-
Accounts payable.....	9,630	-	396
Due to other funds.....	37,380	-	29,889
Total liabilities.....	47,010	11,027,296	30,285
Net assets held in trust for employees' pension benefits.....			
	\$ 39,161,121	\$ 84,574,089	\$ 13,275,745

Statement of Changes in Plan Net Assets
Defined Contribution Plans
For the fiscal year ended June 30, 2008

	Defined Contribution Plans		
	Vermont State Defined Contribution Fund	Single Deposit Investment Account Fund	Vermont Municipal Employees' Defined Contribution Fund
Additions :			
Contributions			
Employer - pension benefit.....	\$ 1,959,169	\$ -	\$ 625,539
Plan member.....	692,433	-	625,341
Transfers from other pension trust funds.....	187,975	-	38,519
Transfers from non-state systems.....	104,074	-	140,808
Total contributions.....	2,943,651	-	1,430,207
Investment Income:			
Net appreciation (depreciation) in fair value of investments.....	(5,305,166)	(177,201)	(1,752,734)
Dividends.....	2,550,928	-	847,630
Interest income.....	10,273	4,552,492	2,596
Securities lending income.....	-	99,672	-
Other income.....	-	6,049	6,741
Total investment income (loss).....	(2,743,965)	4,481,012	(895,767)
Less Investment Expenses:			
Investment managers and consultants.....	525	308,952	-
Total investment expenses.....	525	308,952	-
Net investment income (loss).....	(2,744,490)	4,172,060	(895,767)
Total additions.....	199,161	4,172,060	534,440
Deductions:			
Retirement benefits.....	2,149,065	8,874,501	383,697
Other post employment benefits.....	252,083	-	-
Operating expenses.....	39,126	-	38,963
Total deductions.....	2,440,274	8,874,501	422,660
Change in net assets.....	(2,241,113)	(4,702,441)	111,780
Net assets held in trust for employees' pension benefits:			
July 1	41,402,234	89,276,530	13,163,965
June 30.....	\$ 39,161,121	\$ 84,574,089	\$ 13,275,745

C. Other Post Employment Benefits

In addition to providing pension benefits, the State offers post employment medical insurance, dental insurance, and life insurance benefits to retirees of the VSRS and STRS.

Medical Insurance Plan Descriptions**Vermont State Retirement System**

Retirees in the VSRS, meeting the following criteria, participate in a single employer medical insurance plan operated by the State as self-insured internal service fund. Employees retiring directly from active State service for any reason (disability, early, or normal), including the State Police, may carry whatever coverage is in effect at that time into retirement for themselves and their dependents. During the lifetime of the retiree, 20% of the cost of the premium will be paid by the retiree, except in the case of retirees selecting joint or survivorship options. If the retiree chooses the joint and survivor pension option, and predeceases his or her spouse, the medical benefits also continue for the spouse, along with the pension. However, generally the surviving spouse must pay 100% of the cost of the premium.

In addition, once a retiree becomes eligible for Medicare coverage (at age 65), it is mandatory that they enroll in both Medicare Part A and Part B as soon as possible. Medicare thus becomes the primary insurer with the State plan becoming secondary. The retiree's State insurance premium costs will then decrease in recognition of this change.

If an employee does not retire directly from State service, they are not eligible to participate in the State's medical insurance plan. Likewise, if the insurance is terminated at any time after retirement, coverage will not be able to be obtained again at a later date.

Based on legislation enacted during fiscal Year 2008, Group F employees hired after July 1, 2008, will receive a tiered retiree health care reimbursement, based on completed years of service. As part of the enacted legislation, Group F employees hired after July 1, 2008, also have the ability to recapture (access) subsidized health insurance at 80% upon initiation of retirement benefits in a manner comparable to regular retirements even if employee terminated prior to their early retirement date, providing the member has twenty years of service upon termination of employment.

The State Employees' Postemployment Benefit Pension Trust Fund (3 V.S.A. 479a) was established in fiscal year 2007 as an irrevocable trust fund for the purpose of accumulating and providing reserves to support retiree postemployment benefits for members of the VSRS. By definition this is an OPEB trust fund required to follow the reporting requirements of Governmental Accounting Standards Board Statement No. 43 (Financial Reporting for Postemployment Benefit Plans Other Than Pensions). During fiscal year 2008, the State contributed \$1,444,757 to this fund. The fund has total assets of \$3,663,517 at June 30, 2008. These assets are held in trust for postemployment benefits other than pension.

State Teachers Retirement System

Retirees in the STRS plan participate in multi-employer health coverage plans operated by the Vermont Education Health Initiative (VEHI) which is managed jointly by the Vermont School Boards Insurance Trust and the Vermont- National Education Association. VEHI partners with Blue Cross Blue Shield to provide health insurance to retired and active teachers. VEHI issues its own audited financial statements. These and plan information are available the VEHI Offices, 2 Prospect Street, Suite 5, Montpelier, VT 05602.

Members of the STRS have access to three medical benefit plans in retirement. The plans are identical to those offered to active teachers in public school systems in Vermont. Members may pick up medical coverage under one of the plans offered for themselves and all eligible dependents at the time of retirement, or anytime thereafter during one of the semi-annual open enrollment periods. If the member has a minimum of 10 years of creditable service at the time of retirement, STRS picks up 80% of the retiree's premium only, based on the cost of the "standard plan" as defined by statute. The retiree must pick up the full cost of the premium for all covered dependents. Once a retiree becomes eligible for Medicare coverage (at age 65), it is mandatory that they enroll

in both Medicare Part A and Part B. Medicare becomes the primary insurer and the Teacher's medical plans become the secondary carrier. Two of the plans offered become "carve-out" plans to coordinate with Medicare, and one of the plans is replaced with a true Medicare supplemental plan. The premiums for all plans are reduced in accordance with the decrease in liability once Medicare becomes primary.

Medicare Part D - Prescription Drug Subsidy

Under the Medicare, Prescription Drug, Improvement, and Modernization Act of 2003 (MMA), employer sponsors of retiree prescription drug plans can apply for a 28% subsidy for the qualified prescription drug costs of their retirees. To be eligible for the subsidy, the employer coverage must be actuarially equivalent to the new Medicare Part D coverage and the employer must provide notices of creditable prescription drug coverage to individuals entitled to Medicare Part D.

The State Teachers' Retirement System Board of Trustees agreed that they would continue to offer the same prescription drug coverage program during 2007 and 2008 that has been available to active and retired teachers for the past several years. The Retirement Division has received an attestation from its actuaries that the prescription drug program offered to retired teachers is equivalent, and in fact, better than the drug program offered through Medicare Part D. VSRS has also agreed to offer the same prescription drug coverage program during 2008 that has been available to active and retired state employees for the past several years. The Department of Human Resources has received an attestation from its actuaries that the prescription drug program offered to retired members is equivalent, and in fact, better than the drug program offered through Medicare Part D.

The systems will continue to evaluate the results of the Medicare Part D Program and its impact on the post-age 65 health care benefits marketplace and prescription drug pricing. The Vermont Teachers' Retirement Board of Trustees and the State will need to determine in future years whether it is in their best interest to continue to offer the same prescription drug program, or whether it should be modified or discontinued. If the determination is to continue to offer the same coverage, the estimated annual subsidy will fluctuate depending on the number of retirees and covered dependents that actually sign up for the Medicare Part D Program. If it is determined that the prescription coverage should either be modified or discontinued, then the savings will be realized by a decrease in medical premiums.

For the fiscal year ending June 30, 2008, the subsidy for the VSRS system was \$1,444,757. The state has elected to place this revenue in a trust fund to fund future post employment health benefit liabilities. In the case of STRS, the subsidy for fiscal year 2008 was \$1,406,469 and was deposited into the STRS's pension trust fund.

Plan Membership

At June 30, 2008, the VSRS and STRS plan members eligible for these OPEB plans were as follows.

	<u>VSRS</u>	<u>STRS</u>
Active employees.....	8,442	10,685
Terminated vested.....	-	705
Retired employees.....	3,373	3,804
Total participants.....	11,815	15,194

Annual OPEB Cost and Net OPEB Obligation

The State's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. GASB Statement

45 was implemented in fiscal year 2008 prospectively with a zero net OPEB obligation beginning balance for both the VSRS and STRS OPEB defined benefit plans.

The following table shows the components of the State's annual OPEB cost for the year ended June 30, 2008, the amount actually contributed, and the changes in the State's net OPEB obligation.

	VSRS	STRS
Annual required contribution (ARC) and annual OPEB cost (AOC).....	\$ 47,284,903	\$ 60,220,989
Contribution paid.....	(17,776,355)	-
Increase in OPEB obligation.....	29,508,548	60,220,989
Net obligation at beginning of year.....	-	-
Net obligation at end of year.....	\$ 29,508,548	\$ 60,220,989

In the VSRS, medical benefit expenses are included in an administrative budget appropriated and transferred to system's pension fund which pays the health care premiums through an established sub-fund. Since these are expressly funded, separate from the pension actuarial contribution. In the STRS, the medical benefit expenses are also paid through a sub-fund of the pension fund but are not explicitly budgeted and are therefore not included in the net OPEB obligation calculation, but are reflected as part of the pension trust fund.

For the fiscal year ending June 30, 2008, State employer contributions to the VSRS OPEB and STRS OPEB plans were 37.59% and 0% of the annual required contribution, respectively.

Funded Status and Funding Progress

The funded status of the plans, with amounts in thousands of dollars, as of June 30, 2008, was as follows.

Actuarial Valuation Date	Actuarial				UAAL as a Percentage of Covered Payroll		
	Actuarial Value of Assets	Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio (a/b)	Covered Payroll (c)	((b-a)/c)	
6/30	(a)	(b)	(b-a)				
VSRS							
2008	\$3,664	\$754,690	\$751,027	0.5%	\$404,938	185.5%	
STRS							
2008	\$0	\$863,555	\$863,555	0.0%	\$535,807	161.2%	

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the plans and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information immediately following these notes to the financial statements, presents multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

OPEB Actuarial Valuation- Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The State's independent actuary has prepared valuations of the OPEB liabilities for VSRS and STRS as of June 30, 2008. This is the fourth annual OPEB valuation for each system. Component units and authorities of the State will perform their own valuation as the State does not assume the risk or financial burden for their health care costs.

For VSRS, assuming no additional prefunding, the actuarial accrued liability for OPEB obligations earned through June 30, 2008, is \$754.7 million with an unfunded actuarial liability of \$751.0 million.

The plan experienced a gain on the Accumulated Postretirement Benefit Obligation (APBO) of \$3,954,360. The gain was determined as the expected APBO as of June 30, 2008, using the 2007 actuarial assumptions (\$641,839,569) compared to the actual APBO using the same 2007 assumptions (\$637,885,209). As of June 30, 2008, the actuarial assumptions were changed. The effect of the changes was an increase in the APBO from \$637,885,209 to \$754,026,556. The changes included a modification of the method of determining the implicit subsidy, the healthcare cost trend and the discount rate (an increase from 3.75% to 4.0%). The increase in the plan's accrued liability over the past year is also attributable to year-to-year increases in premiums in excess of those assumed in the prior valuation and a net increase in its participant population from 11,701 to 11,815.

To fully amortize this liability over a 30-year period utilizing an amortization with installments increasing at a rate of 5.0% per year would require an ARC commencing at \$58.7 million for fiscal year 2009 and projected to increase to \$167.0 million in fiscal year 2039.

For STRS, assuming no prefunding, the actuarial accrued liability and the unfunded actuarial liability for OPEB obligations earned through June 30, 2008, is \$863.6 million. To fully amortize this liability over a 30-year period utilizing an amortization with installments increasing at a rate of 5.0% per year would require an ARC commencing at \$59.1 million for fiscal year 2009 and projected to increase to \$322.0 million in fiscal year 2039.

As noted above, an experience study was completed for the STRS retirement system. Demographic assumptions in the June 30, 2008, OPEB valuation were changed to be consistent with those used to value the system's pension benefits. In addition, the discount rate was increased to 4%.

The following list contains the various actuarial methods and significant assumptions used to determine the annual required contributions at the State level for VSRS and STRS OPEB plans.

	VSRS	STRS
Valuation date	06/30/08	06/30/08
Actuarial cost method	Projected Unit Credit	Projected Unit Credit
Amortization method	Level percentage of payroll	Level percentage of payroll
Amortization period - closed basis	30 years starting in 2009	30 years starting in 2009
<u>Actuarial assumptions</u>		
Investment rate of return - pay-as-you-go ⁽¹⁾	4.00%	4.00%
Medical Care and State Share Inflation ⁽²⁾	8% in 2009 7% in 2010 declining to 5% in 2013	7% in 2009 8% in 2010 declining to 5% in 2013
Coverage	80% of current active employees will elect retiree medical coverage	60% of current active employees will elect retiree medical coverage and 30% of terminated vested will elect coverage

⁽¹⁾ Beginning with the 6/30/08 valuation, the rate of return was increased from 3.75% to 4.0%.

⁽²⁾ Reflect the 6/30/08 valuation assumptions, inflation assumptions have varied in previous valuations.

Dental Insurance

Two dental plans are available to retired state employees and retired teachers and their eligible dependents. The dental plan must be elected at the time of retirement. The retiree pays the full premium for all covered lives. A similar program is expected to be offered to retired municipal employees in the next fiscal year.

Vermont Municipal Employees Health Benefit Fund

The VMERS Retiree Health Savings Account (RHS) Plan established on July 1, 2007, is a tax-advantaged savings plan that assists retirees in paying for healthcare costs after retirement. Contributions to this defined contribution OPEB fund are deposited into the RHS Plan member accounts on a tax-free basis, accumulate interest on a tax-free basis, and are drawn out during retirement on a tax-free basis to reimburse health care expenses, including out-of-pocket expenses, deductibles and premiums. The VMERS is administered by the State, however the State has no associated health care benefit cost or liability.

The VMERS Board deposited an initial amount of \$5.1 million into the RHS accounts on July 2, 2007. Additional employer contributions were collected during the course of the fiscal year to be deposited in member accounts at the beginning of fiscal year 2009. Future contributions and subsequent transfers to member accounts will be made as directed by the VMERS Board of Trustees. There is no guarantee that the RHS member accounts will receive any additional funding. While the Vermont Municipal Employees Health Benefit Fund is classified as a post employment benefit fund, there is no accrued liability in excess of the assets of the fund. There is no annual required contribution and unfunded actuarial accrued liability. While classified as a post employment benefit fund, there is no accrued liability in excess of the assets of the fund, there is no annual required contribution and no unfunded actuarial accrued liability.

All VMERS defined benefit retirement plan members and retirees who have a minimum of 5 years of contributory service are eligible to participate in the RHS plan. The amount each member will receive is determined by the total number of contributory years of service in the system. Each year of service is equal to one share. The share value is determined based on the total eligible population, the total number of years of contributory service represented, and the amount of the distribution. The share value will change when future deposits are made. All eligible members receive the first five shares in their medical reimbursement account, which may be used for any medical expense, including premium reimbursement. The additional shares, representing service credit above five years, are deposited into the premium reimbursement account, which may only be used for medical, dental, vision or long-term health care premium reimbursements.

The money may be accessed by members only be accessed after separation from service and the achievement of retiree status from the VMERS plan. For members who were already receiving retirement benefits from the VMERS, the funds in their RHS account could be accessed after July 2, 2007, to reimbursement expenses incurred after July 1, 2007. Members still actively employed or in a vested and terminated status, may access the funds once they retire and begin receiving monthly pension payments. Funds in the RHS accounts are invested in the appropriate age-related Milestone Fund through a third party record keeper.

At June 30, 2008, there were 5,079 active and retired members participating the VMERS RHS plan. Total investments in member accounts at June 30, 2008, were \$4,451,368. Total employer contributions were \$9,250,816 and the assets of the fund were \$8,647,326.

The financial statements for the OPEB Funds are as follows.

Statement of Plan Net Assets
Other Postemployment Benefit Funds
June 30, 2008

	Vermont State Postemployment Benefits Trust Fund	Vermont Municipal Employees' Health Benefit Fund
Assets:		
Cash and short term investments.....	\$ 294,790	\$ 3,029,141
Receivables:		
Contributions - current.....	-	1,166,817
Due from other funds.....	152,269	-
Investments at Fair value:		
Fixed income.....	2,284,004	-
Equities.....	760,684	-
Mutual funds.....	<u>171,770</u>	<u>4,451,368</u>
Total assets.....	<u>3,663,517</u>	<u>8,647,326</u>
Liabilities:		
Total liabilities.....	<u>-</u>	<u>-</u>
Net assets held in trust		
other postemployment benefits.....	<u>\$ 3,663,517</u>	<u>\$ 8,647,326</u>

**Statement of Changes in Plan Net Assets
Other Postemployment Benefit Funds
For the fiscal year ended June 30, 2008**

	Vermont State Postemployment Benefit Trust Fund	Vermont Municipal Employees' Health Benefit Fund
Additions :		
Contributions		
Employer - healthcare benefit.....	\$ 1,444,757	\$ 9,250,816
Total contributions.....	1,444,757	9,250,816
 Investment Income:		
Net appreciation (depreciation) in fair value of investments.....	(114,737)	(208,779)
Dividends.....	17,803	-
Interest income.....	104,820	48,045
Total investment income (loss).....	7,886	(160,734)
Less Investment Expenses:		
Investment managers and consultants.....	-	33,377
Total investment expenses.....	-	33,377
Net investment income (loss).....	7,886	(194,111)
Total additions.....	1,452,643	9,056,705
 Deductions:		
Other post employment benefits.....	-	409,379
Total deductions.....	-	409,379
 Change in net assets.....	1,452,643	8,647,326
 Net assets held in trust for postemployment benefits:		
July 1	2,210,874	-
June 30.....	\$ 3,663,517	\$ 8,647,326

Note 6: ACCOUNTS RECEIVABLE

Accounts receivables at June 30, 2008 are summarized as follows:

	Governmental Funds		Internal Service Funds	Total Governmental Activities
	Major	Non-major		
Governmental activities:				
Taxes:				
Personal and corporate income.....	\$ 177,492,218	\$ -	\$ -	\$ 177,492,218
Sales and use.....	58,819,186	-	-	58,819,186
Meals and rooms.....	23,807,767	-	-	23,807,767
Purchase and use.....	340,065	-	-	340,065
Motor Fuel.....	5,494,535	79,429	-	5,573,964
Other taxes.....	35,131,659	-	-	35,131,659
Subtotal.....	301,085,430	79,429	-	301,164,859
Allowance for uncollectibles.....	(81,549,790)	-	-	(81,549,790)
Taxes receivable, net.....	\$ 219,535,640	\$ 79,429	\$ -	\$ 219,615,069
	Current receivable.....			\$ 92,127,526
	Non-current receivable.....			127,487,543
	Total taxes receivable, net.....			\$ 219,615,069
Loans and notes:				
Loans and notes receivable.....	\$ 170,715,606	\$ -	\$ -	\$ 170,715,606
Allowance for uncollectibles.....	(283,500)	-	-	(283,500)
Loans and notes receivable, net...	\$ 170,432,106	\$ -	\$ -	\$ 170,432,106
	Current receivable.....			\$ 169,625,607
	Non-current receivable.....			806,499
	Total loans and notes receivable, net...			\$ 170,432,106
Federal grants.....	\$ 88,520,929	\$ 273,289	\$ -	\$ 88,794,218
Other:				
Other receivables.....	\$ 74,675,658	\$ 460,437	\$ 11,290,292	\$ 86,426,387
Allowance for uncollectibles.....	(27,962,625)	(578)	(320,548)	(28,283,751)
Other receivables, net.....	\$ 46,713,033	\$ 459,859	\$ 10,969,744	\$ 58,142,636
Due from Fiduciary Funds.....				98,064
Less Internal Service Funds' receivables from Governmental Funds.....				(8,326,093)
Other receivables, net.....				\$ 49,914,607
	Current receivable.....			\$ 13,011,131
	Non-current receivable.....			36,903,476
	Total other receivables, net.....			\$ 49,914,607

	Enterprise Funds		Total Business-type Activities
	Major	Non-major	
Business-type activities:			
Taxes:			
Unemployment.....	\$ 14,265,480	\$ -	\$ 14,265,480
Allowance for uncollectibles.....	(2,900,000)	-	(2,900,000)
Taxes receivable, net.....	\$ 11,365,480	\$ -	\$ 11,365,480
Loans and notes receivable.....	\$ -	\$ 2,758,070	\$ 2,758,070
Current receivable.....		\$ 1,009,470	
Non-current receivable.....		1,748,600	
Total loans and notes receivable, net...	\$ -	\$ 2,758,070	
Federal grants.....	\$ 66,756	\$ -	\$ 66,756
Other:			
Other accounts receivable.....	\$ 2,248,534	\$ 374,804	\$ 2,623,338
Allowance for uncollectibles.....	(51,573)	(25,411)	(76,984)
Other accounts receivable, net.....	\$ 2,196,961	\$ 349,393	\$ 2,546,354
Current receivable.....		\$ 2,508,314	
Non-current receivable.....		38,040	
Total other receivables, net.....	\$ -	\$ 2,546,354	

Note 7: LEASE COMMITMENTS

A. Operating Leases

The State is committed under various operating leases covering real property (land and buildings) and equipment. Total costs for such leases for the fiscal year ended June 30, 2008, were \$8,817,842. Although lease terms vary, certain leases continue subject to appropriation by the General Assembly. If continuation is reasonably assured, leases requiring appropriation by the General Assembly are considered non-cancelable leases for financial reporting purposes. It should also be noted that the State is currently negotiating a small number of operating leases on which rent is being paid on a month-by-month basis and for which there is no signed agreement. These leases have not been included in the following table.

The following is a summary of the estimated future minimum rental commitments under operating leases for real property and equipment at June 30, 2008.

Fiscal Year	Primary Government		
	Non- Cancelable Leases	Cancelable Leases	
			Total
2009	\$ 7,223,529	\$ 6,477	\$ 7,230,006
2010	5,169,600	3,652	5,173,252
2011	3,570,875	3,652	3,574,527
2012	2,927,937	1,201	2,929,138
2013	2,608,770	1,201	2,609,971
2014 to 2018	2,080,115	3,603	2,083,718
Totals	\$ 23,580,826	\$ 19,786	\$23,600,612

B. Capital Leases

The State has entered into capital lease arrangements to acquire various items of machinery and equipment with a gross asset value totaling \$1,006,078. The future minimum lease obligation and the net present value of the minimum lease payments at June 30, 2008, are as follows.

Fiscal Year	Primary Government
2009	\$ 216,483
2010	154,151
2011	19,229
2012	10,104
2013	<u>1,384</u>
Total minimum lease payments	401,351
Less: interest	<u>(17,334)</u>
Present value of minimum lease payments	<u><u>\$ 384,017</u></u>

The State of Vermont, acting through its Agency of Transportation entered into a capital lease with Main Street Landing Company, for premises in and adjacent to Union Station at 1 Main Street, Burlington, Vermont, on January 20, 1998. The term of the lease was for a 20 year period and the entire 20 year rent of \$1,500,000 was prepaid in four equal installments beginning November 26, 1996 and ending in 1998. The terms of the lease give the State the right to purchase a condominium interest in their leased property at the end of the lease term for \$500,000 subject to certain terms and conditions. The State is also required to pay its share of certain annual operating costs throughout the terms of the lease.

Note 8: GENERAL OBLIGATION BONDS PAYABLE

General obligation bonds payable have been authorized and issued primarily to provide funds for acquisition and construction of capital facilities for higher education, public and mental health, correctional facilities, environmental conservation purposes, maintenance and construction of highways and assistance to municipalities for construction of water and sewage systems and local schools. Also, bonds have been authorized and issued to refund outstanding general obligation bonds.

Once authorized by the Legislature, the State Treasurer, with the approval of the Governor, may issue general obligation bonds. Except for zero coupon capital appreciation bonds, the bonds are to be payable in substantially equal or diminishing amounts, the first such payment to be payable not later than five years after the date of the bonds, and the last such payment to be made no later than twenty years after the date of the bonds.

The changes in bonds principal payable for fiscal year 2008 are summarized in the following schedule.

	General Obligation Bonds
Balance, July 1, 2007	\$ 457,255,121
Additions:	
Issuances	\$ 75,195,000
Accretions	<u>1,769,972</u>
Total	76,964,972
Deductions:	
Redemptions	51,355,000
Defeasances	<u>28,395,000</u>
Total	(79,750,000)
Balance, June 30, 2008	<u>\$ 454,470,093</u>

During fiscal years 1991, 1992, and 1994, the State issued zero coupon capital appreciation bonds. Zero coupon capital appreciation bonds are bonds issued at a discount to their face value. Instead of interest being paid on a periodic (i.e. semi-annual) basis, an increase in the principal due (accrued amount) is recognized on a regular basis. The total accrued amount at maturity will be the face value of the bonds.

On December 1, 1993, the State issued capital appreciation bonds with a maturity value of \$32,625,000 maturing on August 1 in the years 1999 through 2013. Proceeds from these bonds totaled \$17,987,640, and have an accreted value of \$9,456,567 at June 30, 2008.

On October 30, 1991, capital appreciation bonds with a maturity value of \$20,575,000 were issued. These bonds mature on October 15 in the years 1996 through 2011. Proceeds from these bonds totaled \$9,999,837, and have an accreted value of \$4,527,045 at June 30, 2008.

During fiscal year 1991, capital appreciation bonds were issued with a maturity value of \$48,935,000, and are scheduled to mature on December 1 in the years 1995 through 2010. Proceeds from these bonds totaled \$19,310,002, and have an accreted value of \$11,126,481 at June 30, 2008.

Future general obligation debt service requirements at June 30, 2008, are as follows:

Fiscal Year	Current Interest Bonds		Capital Appreciation Bonds		Total
	Principal	Interest	Bonds		
2009	\$ 45,885,000	\$ 18,079,050	\$ 7,495,000	\$ 71,459,050	
2010	43,265,000	15,929,406	7,145,000	66,339,406	
2011	39,365,000	14,133,790	7,140,000	60,638,790	
2012	38,550,000	12,496,759	3,035,000	54,081,759	
2013	34,250,000	10,976,540	1,750,000	46,976,540	
2014-2018	124,230,000	35,778,955	2,000,000	162,008,955	
2019-2023	72,465,000	14,712,835	-	87,177,835	
2024-2028	31,350,000	2,789,750	-	34,139,750	
Totals	<u>\$ 429,360,000</u>	<u>\$124,897,085</u>	<u>\$ 28,565,000</u>	<u>\$ 582,822,085</u>	

At June 30, 2008, there remains \$58,350,869 of authorized but unissued general obligation bonds.

See following page for a schedule of general obligation bonds outstanding at June 30, 2008.

General Obligation Bonds outstanding at June 30, 2008 are comprised of the following issues:

Date Issued	Date Series Matures	Interest Rates %	Amount of Original Issue	Maturity Value of Capital Appreciation Bonds	Maturity Value			Maturity Value of Bonds Outstanding Total
					General Fund	Transportation Fund	Special Fund	
General Obligation Current Interest Bonds:								
08/01/1992	08/01/2008	3.0 to 5.75	\$ 71,280,000	\$ 1,975,000	\$ 15,000	\$ -	\$ -	\$ 1,990,000
10/29/1997	01/15/2017	4.5 to 5.0	28,500,000	1,401,237	98,763	-	-	1,500,000
12/03/1997	01/15/2017	3.9 to 5.2	14,990,000	790,000	-	-	-	790,000
05/01/1998	01/15/2017	4.5 to 5.0	7,755,000	-	-	-	420,000	420,000
11/23/1998	01/15/2018	4.5 to 4.75	26,630,000	1,365,828	34,172	-	-	1,400,000
11/01/1999	02/01/2019	4.5 to 6.5	32,000,000	3,370,000	-	-	-	3,370,000
12/16/1999	02/01/2010	4.55 to 5.05	5,000,000	1,000,000	-	-	-	1,000,000
11/14/2001	08/01/2020	3.25 to 4.75	46,000,000	27,520,000	-	-	-	27,520,000
12/27/2001	08/01/2011	4.0 to 4.375	5,000,000	2,000,000	-	-	-	2,000,000
12/11/2002	08/01/2019	3.0 to 5.0	30,800,000	20,725,000	-	-	-	20,725,000
12/17/2002	08/01/2013	2.0 to 5.0	31,555,000	22,008,000	1,197,000	-	-	23,205,000
02/11/2004	02/01/2018	1.1 to 5.0	134,457,000	92,117,431	3,617,569	3,005,000	-	98,740,000
03/10/2004	03/01/2023	2.0 to 5.0	42,200,000	30,932,702	2,367,298	-	-	33,300,000
03/02/2005	03/01/2025	3.0 to 4.0	26,000,000	24,350,000	-	-	-	24,350,000
04/13/2005	03/01/2015	2.4 to 4.0	15,000,000	9,800,000	700,000	-	-	10,500,000
06/07/2005	03/01/2020	2.65 to 5.0	20,805,000	19,109,087	565,913	880,000	-	20,555,000
11/22/2005	07/15/2026	3.5 to 5.0	30,000,000	28,500,000	-	-	-	28,500,000
12/13/2005	07/15/2016	3.1 to 4.0	15,000,000	12,000,000	-	-	-	12,000,000
02/21/2007	07/15/2026	4.0 to 5.0	30,000,000	29,250,000	-	-	-	29,250,000
03/15/2007	07/15/2016	3.375 to 4.0	9,500,000	8,550,000	-	-	-	8,550,000
03/15/2007	07/15/2016	3.375 to 4.0	5,000,000	4,500,000	-	-	-	4,500,000
11/28/2007	07/15/2027	3.50 to 5.25	35,000,000	35,000,000	-	-	-	35,000,000
12/20/2007	07/15/2017	3.0 to 4.0	11,000,000	11,000,000	-	-	-	11,000,000
12/20/2007	07/15/2017	3.0 to 5.0	29,195,000	24,887,412	492,588	3,815,000	-	29,195,000
Total General Obligation Current Interest Bonds					412,151,697	9,088,303	8,120,000	429,360,000
General Obligation Capital Appreciation Bonds:								
12/13/90	12/01/10	N/A	19,310,002	\$ 48,935,000	12,325,000	-	-	12,325,000
10/30/91	10/15/11	N/A	9,999,837	20,575,000	5,140,000	-	-	5,140,000
12/01/93	08/01/13	N/A	17,987,640	32,625,000	11,100,000	-	-	11,100,000
Total Maturity Value					28,565,000	-	-	28,565,000
Less: Unaccrued Interest					3,454,907	-	-	3,454,907
Total General Obligation Capital Appreciation Bonds					25,110,093	-	-	25,110,093
Total General Obligation Bonds					\$ 437,261,790	\$ 9,088,303	\$ 8,120,000	\$ 454,470,093

Note 9: BOND REFUNDINGS

During the 2008 fiscal year the State refunded on a current basis \$26,995,000 of outstanding 1998 Series A general obligation bonds, and advance refunded \$1,400,000 of outstanding 1998 Series C general obligation bonds, through the issuance of the 2007 Series F general obligation refunding bonds in the amount of \$29,195,000. Total proceeds (inclusive of premium) on the refunding bond sale were \$29,559,069. From these proceeds, \$29,375,437 was used to purchase United States Treasury Securities—State and Local Government Series that were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments of the refunded bonds. As a result, the total \$28,395,000 of refunded bonds is considered to be defeased and the liabilities have been removed from the State's financial statements. As a result of this refunding, the State has taken advantage of lower interest rates; and has decreased its aggregate debt service payments by \$1,626,672 over the ten years ending January 2018. The economic gain (the present value of the debt service savings) for the State through this transaction is \$1,099,226, using a discount rate of 3.3%.

During fiscal years 2004 and 2005, the State defeased "in-substance" certain general obligation bonds by issuing new bonds and by placing the proceeds of these new bonds in an irrevocable trust. These trust assets are utilized to make all debt service payments on the defeased bonds. Accordingly, these trust assets and the liability for the defeased bonds are not included in the State's financial statements.

The total amount of defeased bonds remaining outstanding at June 30, 2008, is \$38,770,000.

Note 10: BUDGET STABILIZATION RESERVES

The 1993 Legislature amended action taken by the 1987 Legislature by repealing legislation creating the Budget Stabilization Trust Fund and created separate Budget Stabilization Reserves within both the General Fund and Transportation Fund. The Education Fund Budget Stabilization Reserve was created by the 1999 Legislature. These reserves were created to reduce the effects of annual variations in State revenues upon these funds by reserving certain surpluses of revenues.

The reserves balances will consist of any unreserved undesignated surplus at the close of the fiscal year, provided the balance in each fund's Budget Stabilization Reserve shall not exceed an amount equal to five percent of its appropriations for the prior fiscal year plus any additional amounts as may be authorized by the Vermont Legislature. Use of the reserve is limited to offsetting the respective fund's deficit at the close of a fiscal year. Pursuant to action taken by the Legislature, the Transportation Fund's Budget Stabilization Reserve at June 30, 2008 was \$11,199,306, the General Fund's Budget Stabilization Reserve was \$57,839,077 at June 30, 2008, and the Education Fund's Budget Stabilization Reserve at June 30, 2008 was \$29,392,569.

Note 11: CONTINGENT AND LIMITED LIABILITIES**A. Contingent Liabilities****Vermont Economic Development Authority:**

In 1974, the General Assembly created the Vermont Industrial Development Authority, renamed it the Vermont Economic Development Authority (the Authority) in 1993; and transferred the functions and the responsibilities of the Vermont Industrial Building Authority, Industrial Park Authority, and the Vermont Industrial Aid Board to it. Each of these original entities was relegated to a particular segment of industrial development. The Authority was established as a body corporate and politic and a public instrumentality of the State. It is governed by a twelve member board which consists of the Secretary of the Agency of Commerce and Community Development, the State Treasurer, the Secretary of Agriculture, Food and Markets, and nine public members appointed by the Governor with the advice and consent of the Senate.

The Authority has the power to insure up to \$15 million of loans made by financial institutions for the purchase of

land and construction of industrial building facilities in the State; to finance the purchase of machinery and equipment; and to provide working capital. The refinancing of existing loans is also possible under the act that created the Authority. As of June 30, 2008, the State's contingent liability for the mortgage insurance contracts entered into by the Authority was \$8,288,506. The full faith and credit of the State is pledged to support these activities of the Authority.

In fiscal year 2007, the Authority determined a loss on a mortgage insurance contract was probable, though the specific amount of loss is not determinable at this time. The Authority estimates the probable loss to range from a minimum of \$300,000 to a maximum of \$1,500,000. The Authority has recorded the \$300,000 loss and a receivable from the State for \$300,000. The Authority reported that the status of this loss at June 30, 2008 is unchanged. As the full faith and credit of the State supports this activity, the State has recorded a \$300,000 payable to the Authority in the Governmental Funds.

The Authority is authorized to reimburse lenders participating in the Vermont Financial Access Program for losses incurred on loans that the lenders register with the Authority. The full faith and credit of the State is pledged in an amount equal to the reserve premium payment deposited by the participating lenders for each registered loan, with the aggregate amount of credit that may be pledged not to exceed \$2 million at any one time. The State's contingent liability at June 30, 2008 was \$881,847. The State's net cash contribution since inception is \$387,494.

Federal Grants:

The State receives federal grants that are subject to audit and review by federal grantor agencies. This could result in expenditures being disallowed under the terms of the grants. However, it is believed that required reimbursements resulting there from would not be material.

B. Limited Liabilities

Vermont Economic Development Authority:

The State has a limited liability for the Vermont Economic Development Authority. The Authority may create one or more debt service reserve funds in accordance with 10 V.S.A. Section 219. Annually, the Authority must report to the State the amount necessary to bring the reserve balances up to the minimum required by statute. This sum so certified may be appropriated by the State. It has not been necessary for the State to appropriate money to maintain the reserve and State management believes that an appropriation will not be necessary in the future.

Vermont Municipal Bond Bank:

The State has a limited liability for the Vermont Municipal Bond Bank (Bank). The Bank is required to maintain debt service reserve funds. 24 V.S.A. Section 4675 requires the State to provide annual appropriations to restore the reserve funds to the required minimum balance, if necessary. It has never been necessary for the State to appropriate money to the reserve fund and State management believes that an appropriation will not be necessary in the future.

Vermont Housing Finance Agency:

The State has a limited liability for the Vermont Housing Finance Agency (Agency). The Agency may create one or more debt service reserve funds in accordance with 10 V.S.A. Section 632. Annually, the Agency must report to the State the amount necessary to bring reserve fund balances up to the minimum required by statute. This sum so certified may be appropriated by the State. It has not been necessary for the State to appropriate money to maintain the reserve fund and State management believes that an appropriation will not be necessary in the future.

Note 12: LITIGATION

The State, its agencies, officials and employees are defendants in numerous lawsuits involving funding for social welfare programs, civil rights actions, public education funding, breach of contract and negligence. The Attorney General is unable to predict the ultimate outcome of the majority of these suits, some of which seek recovery of monetary damages of unspecified amounts. However, based on information provided by the Attorney General, any ultimate liability to the State resulting from these lawsuits that is not covered by various insurance policies, would not materially affect the State's overall financial condition.

Note 13: JOINT VENTURE

The State of Vermont has entered into a Tri-State Lotto Compact with the States of New Hampshire and Maine for the purpose of operating a tri-state lottery. This lottery does not replace Vermont's individual lottery games but is run in addition to the existing games. The Compact provided for the creation of a Tri-State Lottery Commission which is an interstate body, both corporate and politic, serving as a common agency of the party states and representing them both collectively and individually in the exercise of its powers and duties. The commission is composed of one member from each of the party states. Each state's lottery commission appoints one of its members to this position. The three-member commission annually elects a chairperson from among its members. The commission is empowered to operate and administer Tri-State Lotto and to promulgate rules and regulations governing the establishment and operation of the lotto. Tri-State Lotto tickets are sold in each of the party states and processed in a central location as determined by the commission. Fifty percent of the gross sales from each state are aggregated in a common prize pool, and operating costs are charged proportionally to each of the party states. The remaining revenues generated within each state remain in that particular state.

At June 30, 2008, the commission had total assets of \$118,313,017, and total liabilities of \$102,699,865, representing decreases of \$17.14 million and \$20.36 million respectively, compared to June 30, 2007. For the fiscal year ended June 30, 2008, the commission had operating revenues of \$73,254,257, an increase of \$3.96 million; interest income of \$646,870, a decrease of \$96,951; commissions, fees, and bonus expenses of \$8,608,003, an increase of \$379,321; prize awards of \$37,209,421, an increase of \$2.54 million; and other operating expenses of \$3,874,261, an increase of \$42,944; all activity as compared to the fiscal year ended June 30, 2007.

During fiscal year 2008, the commission made operating transfers to member states of \$24,209,442 versus \$23,314,872 during fiscal year 2007. This total included \$2,978,630 transferred to Vermont during the fiscal year, an increase of \$384,702 as compared to fiscal year 2007.

Additional information regarding the Tri-State Lotto Commission may be obtained by contacting the Vermont Lottery Commission, 1311 US Route 302-Berlin, Suite 100, Barre, Vermont 05641.

Note 14: RISK MANAGEMENT**A. Workers' Compensation and Risk Management**

The Financial Operations Division of the Department of Buildings and General Services oversees the Workers' Compensation and Risk Management programs, which administers all insurance programs for State government with the exception of the health and life insurance plans listed below. State policy is to minimize the purchase of commercial insurance by either self-funding or otherwise retaining the risk when it makes sense to do so. The programs set aside assets and pay claims utilizing the following three Internal Service Funds:

- Workers' Compensation Self Insurance Fund
- State Liability Self Insurance Fund
- Risk Management – All Other Fund (used for the purchase of commercial insurance)

The Workers' Compensation Fund covers all State employees who are injured on the job, pursuant to State statute. Certain quasi-governmental entities may also request coverage through this program. The State has

unlimited exposure to liability and has not purchased any stop-loss insurance to limit this exposure. All claims are processed by Workers' Compensation personnel and are audited annually by an outside claims adjuster to ensure that the claims-based statistical information used to calculate the State's workers' compensation exposure is reliable. Liability is reviewed annually by an outside actuary, including a review of incurred but not reported claims (IBNR). The contribution required to fully fund losses is calculated annually by an outside actuary. Allocation to each participating entity is done by the Risk Management personnel utilizing departmental exposure and experience factors.

The Liability Insurance Fund covers general and employment practices liability, discrimination, and auto liability risk. The coverage is comparable to standard private commercial policies. It offers coverage to the same group of participants as those covered by the workers' compensation program described above. The State's exposure to risk in Vermont is subject to the doctrine of sovereign immunity and is governed by the Vermont Tort Claims Act, 12 V.S.A. §5601. Exposure outside of Vermont is potentially unlimited. The State is self-insured (SIR) for the first \$250,000 of exposure and has purchased excess commercial insurance to cover the additional per-occurrence exposure in amounts of up to \$750,000 (\$1,000,000 total) in Vermont and \$10,000,000 in excess of the \$250,000 SIR for claims that are not subject to the Vermont Tort Claims Act. Claims are processed by Risk Management personnel (prior to 2006, claims were processed by a third-party administrator), and are audited annually by an outside claims adjuster to ensure that the claims-based statistical information used to calculate the State's liability exposure is reliable. This liability is reviewed annually by an outside actuary, including a review of incurred but not reported claims (IBNR). The contribution required to fully fund losses is calculated annually by an outside actuary. Allocation to each participating entity is done by the Risk Management personnel utilizing departmental exposure and experience factors.

The Risk-Management – All Other Fund provides insurance coverage through purchased commercial policies for risks not covered in the above funds or which are self-assumed. This coverage provides insurance for State-owned real property, bonds for various categories of employees, errors and omissions coverage for judges, and various other miscellaneous coverages. The State's liability exposure is limited to the amount of the various deductibles associated with the respective policies. Premium charges from the various insurers are either assessed directly against the entity requiring the coverage or apportioned among those entities receiving the benefits of the coverage. Risk Management also assesses a surcharge of up to 5% of the premium to cover administrative costs. Entities eligible for coverage are the same as those listed above for the other funds.

There has been no significant reductions in insurance coverage from the prior year. Insurance settlements have never exceeded the coverage disclosed above.

In addition to the three internal service funds above, effective July 1, 2007, the General Assembly established the Sarcoidosis Benefit Trust Fund (a program in the Special Fund) to cover specific claims arising from an outbreak of Sarcoidosis at the impaired state office building in Bennington, Vermont (Act 53 of 2007). Claims are reviewed and processed under rules established that mirror the rules for the Workers' Compensation Fund claims. Funding was established as a special fund and not a proprietary fund as funding will only be available by the General Assembly as claims arise and funding needs are determined. The Fund is managed by the Workers' Compensation personnel. In fiscal year 2008, \$384,688 was paid out for approved claims.

B. Health Care, Dental Insurance, Life Insurance, Employee Assistance, and Long Term Disability Funds For State Employee Benefit Plans

The Administrative Services Division of the Department of Human Resources maintains medical, dental, life insurance, employee assistance, and long term disability program funds for the benefit of current State employees, retirees, retired former employees (allowed participation by statute or labor agreement), legislators, and employees and certain former employees of outside groups which have been declared eligible to participate by statute. All or some of these named groups may participate in each plan depending upon the plan. Temporary and contractual employees are not eligible to participate in these plans.

Participating employees share in the premium cost of all of the medical plans. Premium rate setting is performed by an outside actuary in conjunction with the Fiscal Unit of the Administrative Services Division of the

Department of Human Resources. The State's liability for incurred but not yet reported (IBNR) claims is calculated by the actuary and is based on the State's prior claims experience.

The current medical plan offerings include four plan options. TotalChoice, HealthGuard, and SafetyNet are "preferred provider organization" indemnity-type plans. There is a lifetime limit on coverage for a participant in these three plans. The SelectCare POS is a "point of service" plan, similar to an open-ended HMO. Members may opt out of the SelectCare network but must meet a deductible and coinsurance to do so. There is no lifetime coverage limit for care received in-network; however, there is a lifetime limit for care received out of network. Benefits are administered under a managed care arrangement. All four health plan options are self insured by the State. The State employs a third party administrator to provide administrative services, including claim payment. To limit the State's large claims exposure, the State has purchased stop loss insurance.

The self-funded State of Vermont Employee Dental Assistance Plan provides up to \$1,000 regular dental benefits annually and up to \$1,750 lifetime benefit for orthodontic expenses for each participant. These plan caps effectively limit the State's exposure to catastrophic loss so no stop-loss insurance has been purchased. The Fiscal Unit of Administrative Services Division within the Department of Human Resources sets the premium rates, in consultation with the dental plan administrator's actuary. Participants include all groups mentioned in paragraph 1 above except for retirees. The State pays 100% of the premium for State employee participants and their covered dependents.

The State of Vermont Employee Life Insurance Program consists of a Life benefit and an Accidental Death and Dismemberment (AD&D) benefit, each of which provides coverage equal to two times a participant's base salary rounded down to the nearest \$100. Retirees who work for the State for at least twenty years and who have life insurance at the time of retirement receive a retiree life benefit of \$5,000 with no AD&D coverage. Both Life and AD&D are fully insured benefits. The State purchases insurance under which the carrier retains liability for all claims. The Administrative Services Division calculates the premium rates charged to departments for both of these programs. The State pays 75% of active employees' premiums and 100% of retirees' premium costs. Only current State employees, retired State employees, and current active employees of outside groups are eligible to participate.

A Flexible Spending Account (FSA) Program is available to active State employees only. This account allows pre-tax salary deductions to be used to reimburse eligible medical and dependent care expenses. The FSA Program administrator is paid a monthly fee based on the number of enrolled employees. No claims costs are incurred under this plan by the State. The State pays 100% of the fee for this plan.

An Employee Assistance Program (EAP) is provided for the benefit of State employees and members of their immediate household. This program assists employees and family members in addressing problems that impact their lives including stress, family, financial, drugs and substance abuse, and other issues. Active State employees and their families are eligible for this program. The EAP Program Manager is paid a monthly fee based on the number of employees who work for the State. The plan provides up to 5 counseling sessions per case through a network of providers. No claims costs, or claims liabilities are incurred under this plan by the State. The State pays 100% of the fee for this plan.

A Long Term Disability Program is provided as an income replacement benefit for certain State employees who become disabled due to non-occupational injury or illness, and the disability is expected to be long term or permanent. The plan provides financial protection for State employees and their families by continuing a portion of their income while disabled. Only State employees who are not eligible to be represented by the employees' union (the Vermont State Employees Association) are eligible for this benefit. There is a one-year eligibility waiting period before coverage is effective. This plan is fully insured through an insurance company, so there is no liability to the State for claims. The premium is based on a percentage of the salaries of eligible participants. The State issues payment to the insurance company for the premium and the cost is then recovered from eligible employees in the following manner: Those eligible employees who are covered by a leave plan forfeit one day of compensated absence leave per year. Those eligible employees who are not covered by a leave plan have a one-time 0.2% salary reduction in their next cost-of-living increase following eligibility.

Presented below is a table displaying three years' changes in the respective funds' claims liability amounts.

<u>Fund and Fiscal Year</u>	<u>Liability at Beginning of the Fiscal Year</u>	<u>Current FY Claims and Changes in Estimates</u>	<u>Current FY Claims Payments</u>	<u>Balance of Liability at End of Fiscal Year</u>
Workers' Compensation Fund				
2006				
	\$14,779,393	\$ 8,390,960	\$ 5,968,751	\$ 17,201,602
2007				
	17,201,602	6,716,086	5,726,127	18,191,561
2008				
	18,191,561	6,291,342	5,861,002	18,621,901
State Liability Insurance Fund				
2006				
	6,989,804	1,036,594	2,053,797	5,972,601
2007				
	5,972,601	(162,879)	1,056,976	4,752,746
2008				
	4,752,746	2,587,585	1,563,479	5,776,852
Medical Insurance Fund				
2006				
	10,697,575	79,503,185	80,171,813	10,028,947
2007				
	10,028,947	90,495,260	90,034,981	10,489,226
2008				
	10,489,226	97,858,788	97,169,573	11,178,441
Dental Insurance Fund				
2006				
	387,554	5,033,480	5,135,178	285,856
2007				
	285,856	5,013,548	5,023,647	275,757
2008				
	275,757	5,206,269	5,226,924	255,102

Note 15: DEFICIT FUND BALANCES AND NET ASSETS

The following individual funds had deficit fund balances, deficit total net assets or deficit unrestricted net assets at June 30, 2008.

Business-type Proprietary Funds

Federal Surplus Property: ended fiscal year 2008 with both a deficit unrestricted net asset and total net asset balance of \$715,070. These deficits are primarily the result of (1) the prices set not being high enough to offset the acquisition expenses incurred to obtain the inventory and (2) timing differences resulting from the expensing of the acquisition costs associated with items retrieved in a different year than the sale, if ever sold. As the activity of this program is dependent on final sales price received for goods sold and the program being very popular with municipalities, any continued deficit that cannot be recovered through normal business operations will result in a request for recapitalization of the program being made to the Legislature.

Vermont Life Magazine: ended fiscal year 2008 with a deficit unrestricted net asset balance of \$438,736 and a deficit total net asset balance of \$437,327. In fiscal year 2009, Vermont Life will be publishing an official Quadricecentennial souvenir publication and producing/marketing other products to celebrate the Quadricecentennial. Revenues from advertising and circulation from this Quadricecentennial souvenir publication as well as sales of the Quadricecentennial products, in addition to general improvement of operations to Vermont Life will be contributing factors to the elimination of the remaining deficit for fiscal year 2009.

Internal Service Funds

Highway Garage Fund: ended fiscal year 2008 with a deficit unrestricted net asset balance of \$2,513,656. The Highway Garage Department has restructured its 5-year plan to eliminate the remaining deficit by increasing rental rates to eliminate 25% of the deficit per year over the remaining 4 years.

Communications and Information Technology: The Communications and Information Technology fund ended fiscal year 2008 with a total net asset deficit of \$14,445. However, the unrestricted balance was in a deficit of \$1,792,591. Over the next few years the Department of Information and Innovation will work to bring this figure down. However, since our business requires large investments in information technology capital assets, it is unlikely that the unrestricted deficit will be eliminated anytime soon.

Fleet Fund: ended fiscal year 2008 with a deficit unrestricted net asset balance of \$5,415,425 and a deficit total net asset balance of \$8,241. This unrestricted deficit is due to the perpetual investment in fleet vehicles funded through short term borrowings from the general fund. Fiscal year 2007 was the first full year with adjusted rental rates. As such, the program is currently collecting slightly more than is needed to operate the program. The deficit total net asset balance was reduced in fiscal year 2008 and is expected to be reduced in future periods.

Copy Center Fund: ended fiscal year 2008 with a deficit unrestricted net asset balance of \$2,140,720 and a deficit total net asset balance of \$1,403,683. The operating and fund deficits are the result of operations with the convenience copier program and print shop. The Department of Buildings and General Services is continuing to review the viability of these programs. The convenience copier program will most likely not be eliminated due to accounting rules for capital leases and their relationship to the State's debt statement. Print shop activities, despite a rate increase in fiscal year 2007, continued to see a decline in customer sales due to the increase use and availability of desk top publishing and on-line posting of documents. During fiscal year 2009, the program will be taking on the printing functions and staff from the Department of Information and Innovation. The result is the program hopes to break even in fiscal year 2009. The reduction in net assets in fiscal year 2008 was due to the return of fund equity to program by the Administration.

Postage Fund: ended fiscal year 2008 with both a deficit unrestricted net asset balance of \$998,468 and a deficit total net asset balance of \$980,486. The program received a rate increase in fiscal year 2007. The program is currently seeking another rate increase due to federal rates increasing in fiscal year 2008. In addition, fund equity was returned to the fund by the Administration resulting in the improvement in the fund deficit. Without the return of equity, the program just about broke even with a net operating loss of \$22,926. An additional rate increase will return the program to the black and help pay off the current fund deficit.

Facilities Operations Fund: ended fiscal year 2008 with a deficit unrestricted net asset balance of \$3,527,379 and a deficit total net asset balance of \$2,866,689. The fund deficit began to grow in fiscal year 2007 due to several emergency situations involving indoor air quality issues and employee health concerns. As a result, more money is being spent to safeguard employees and correct the building problems than was planned. In fiscal year 2008, an evaluation team is inspecting all state buildings and determining corrective action that will prevent another situation as is being experienced in Bennington. This issue is a priority for the Legislature and the Administration and it is expected that funds will be made available to reverse this trend in deficit spending. A budget adjustment for fiscal year 2009 is being drafted.

Property Management Fund: had a deficit unrestricted net asset balance of \$15,122,571 and a deficit total net asset balance of \$15,120,142 as of June 30, 2008. This fund deficit is an expected deficit given the purchase of 3 office buildings whose acquisition costs were financed by 20-year bonds. The funding for the payoff of these bonds is being recovered over a 50 year period. This deficit is calculated to continue growing until the bonds are paid off at which time the deficit will start to decrease annually and will be eliminated at the end of the 50-year recovery period. A review of the funding scheme demonstrated that no savings would occur if the State attempted to recover the costs over a shorter period due to federal rules. Contributing to the deficit is a lack of a sufficient revenue stream to cover operating costs for the program. A request will be made for a supplemental

general fund appropriation on an annual basis to cover this funding gap in the program. For fiscal year 2008, the program, given its size, almost finished the year at the breakeven point.

Risk Management All-Other Fund: ended fiscal year 2008 with a deficit unrestricted and a deficit total net asset balance of \$410,186. The fund recovers the costs of the program from the policy holders through a surcharge on 3rd party insurance premiums. The program is intended to purchase insurance coverage on behalf of specific customers for specific reasons. The policyholders are responsible for the total costs including overhead charges for the programs they participate in. Any deficits in the program are due to timing differences between billing customers for the policies and paying the provider of the coverage. Specifically, the deficit is being driven by the Workers Compensation policy for AHS which pays an estimated premium cost and receives any overages back by way of a cash refund. This deficit is the result of an expected cash refund from the commercial carrier based on experience.

Workers' Compensation Fund: ended fiscal year 2008 with a deficit unrestricted and a deficit total net asset balance of \$2,103,095. Rate increases have resulted in the fund recovering expenditures, both cash and actuarial, in fiscal year 2008 helping to reduce the negative net asset balance in fiscal year 2008 though the fund remains less than fully funded for future claims. The plan for the fund will be to increase rates in fiscal year 2009 and fiscal year 2010 in an attempt to eliminate these fund deficits.

Governmental Funds

Global Commitment Fund: ended fiscal year 2008 with a deficit unreserved fund balance of \$36,898,409 and a deficit total fund balance of \$36,091,055. This deficit is the result of Medicaid costs incurred under a previous Medicaid waiver agreement being paid with the resources transferred to the fund under the current agreement. The State plans to eliminate this deficit thorough amendment to the current Medicaid waiver agreement's Terms and Conditions to allow these costs to be incorporated into future capitation rates which determine the amount to be transferred to the fund.

Transportation Bond Fund: ended fiscal year 2008 with a deficit fund balance of \$101,893. This deficit is the result of capital projects incurring liabilities prior to the sale of bonds. This deficit will be eliminated in fiscal year 2009 with the sale of bonds authorized in the 2008 Capital Appropriation Act.

Note 16: CHANGES IN LONG-TERM LIABILITIES

Governmental activities long-term liabilities are generally liquidated by payments from the governmental and internal service funds' programs. Bonds payable are liquidated by the general, transportation and special funds. Other liabilities includes the unamortized premium from the sale of bonds.

During the year ended June 30, 2008, the following changes occurred in the long-term liabilities.

PRIMARY GOVERNMENT

	July 1, 2007	Additions	Reductions	June 30, 2008	Amounts due within one year
Governmental activities:					
Bonds payable (1).....	\$ 457,255,121	\$ 76,964,972	\$ 79,750,000	\$ 454,470,093	\$ 53,380,000
Capital leases payable.....	600,290	148,245	364,518	384,017	203,624
Compensated absences.....	31,830,323	34,140,531	32,890,803	33,080,051	21,866,258
Claims and judgments.....	33,709,290	111,943,984	109,820,978	35,832,296	11,433,543
Contingent liabilities.....	7,000,000	-	-	7,000,000	-
Net pension obligations.....	209,701,689	8,861,739	-	218,563,428	-
Net other postemployment obligations....	-	89,729,537	-	89,729,537	-
Other liabilities.....	12,097,665	798,046	1,352,494	11,543,217	1,345,921
Total governmental activities					
long-term liabilities.....	\$ 752,194,378	\$ 322,587,054	\$ 224,178,793	\$ 850,602,639	\$ 88,229,346

(1) Governmental activities bonds payable additions include \$1,769,972 of accretions on capital appreciation bonds.

	<u>July 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2008</u>	<u>Amounts due within one year</u>
Business-type activities:					
Compensated absences.....	\$ 323,158	\$ 317,582	\$ 283,870	\$ 356,870	\$ 217,499
Lottery prize awards payable.....	<u>4,982,519</u>	<u>64,759,920</u>	<u>64,527,551</u>	<u>5,214,888</u>	<u>487,209</u>
Total business-type activities					
long-term liabilities.....	<u>\$ 5,305,677</u>	<u>\$ 65,077,502</u>	<u>\$ 64,811,421</u>	<u>\$ 5,571,758</u>	<u>\$ 704,708</u>
Fiduciary:					
Compensated absences.....	\$ 4,474	\$ 11,966	\$ 5,856	\$ 10,584	\$ 9,432
Total fiduciary long-term liabilities.....	<u>\$ 4,474</u>	<u>\$ 11,966</u>	<u>\$ 5,856</u>	<u>\$ 10,584</u>	<u>\$ 9,432</u>
COMPONENT UNITS					
Bonds and notes payable.....	\$3,006,278,059	\$531,201,978	\$363,984,317	\$3,173,495,720	\$128,539,536
Capital leases payable.....	188,464	-	83,434	105,030	57,582
Accrued arbitrage rebate.....	33,469,145	1,190,193	7,776,274	26,883,064	315,678
Net postemployment benefit obligation....	-	33,814,600	-	33,814,600	-
Other liabilities.....	<u>23,118,986</u>	<u>5,133,180</u>	<u>4,841,220</u>	<u>23,410,946</u>	<u>1,311,000</u>
Total component units					
long-term liabilities.....	<u>\$3,063,054,654</u>	<u>\$571,339,951</u>	<u>\$376,685,245</u>	<u>\$3,257,709,360</u>	<u>\$130,223,796</u>

Note 17: RESTATEMENTS

Vermont Economic Development Authority

The Vermont Economic Development Authority (VEDA) follows the accrual basis of accounting whereby revenues are recorded when earned and expenses are recorded when incurred. Since 1994, in accordance with the adoption of Governmental Accounting Standards Board ("GASB") Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities*, the Authority has applied all applicable GASB pronouncements and all Financial Accounting Standards Board ("FASB") pronouncements to the extent the FASB pronouncements do not conflict with any GASB pronouncements. This method of adopting GASB 20 required VEDA to follow FASB pronouncements issued to date (if there was no conflict) as well as all GASB pronouncements.

In 2008, to be consistent with other component units of the State, the VEDA elected to make a change in accounting principle and begin to apply GASB pronouncements as well as any FASB pronouncements issued on or before November 30, 1989 to the extent these pronouncements do not conflict with GASB pronouncements. This is the alternative method of adoption of GASB 20.

Adopting the change in accounting principle primarily affected the measurement basis of VEDA's investment in Vermont Capital Partners, LLP ("VCP") and the interest rate swap. Under existing FASB pronouncements these investments were recorded at fair value. VCP is carried at cost because there is no ready market for the investment. The fair value of derivatives like VEDA's interest rate swap, are not recorded in the financial statements under current GASB pronouncements.

The cumulative effect of adopting the accounting change is \$1,084,700. The beginning net assets balance has been restated for this accounting change. The beginning net assets balance has increased from \$35,453,469 to \$36,538,169.

Note 18: RESTRICTED NET ASSETS – Discretely Presented Component Units

Restricted net assets are those portions of total net assets that are not appropriate for expenditure or that are legally segregated for a specific future use. Net assets restricted at June 30, 2008 are as follows.

	Vermont Student Assistance Corporation	University of Vermont and State Agricultural College	Vermont State Colleges	Non-major component units
Restricted for:				
Endowments:				
Expendable	\$ 81,000	\$ 277,558,000	\$ 3,243,688	\$ -
Nonexpendable	2,820,000	79,276,000	13,362,483	-
Grants and scholarships	981,000	-	-	-
Bond resolution	58,410,000	-	-	-
Educational programs appropriation	10,000	-	-	-
Interest rate subsidies	-	-	-	1,973,636
Investment - Vermont Capital Partners, LP	-	-	-	400,000
Collateral for commercial paper program	-	-	-	20,000,000
Project and program commitments	-	-	-	26,917,951
Loans receivable ⁽¹⁾	-	-	-	120,180,126
Total Component Units				
- Restricted Net Assets.....	\$ 62,302,000	\$ 356,834,000	\$ 16,606,171	\$ 169,471,713

⁽¹⁾ Loans receivable for the Vermont Housing & Conservation Board include federally restricted funds.

Note 19: SUBSEQUENT EVENTS

Subsequent to June 30, 2008, there have been significant negative economic developments surrounding overall market liquidity, credit availability and collateral values. The results of these developments have led to broad declines in investment values. The State, including the pension, investment and other postemployment benefit trust funds, invest in various diversified types of securities. Some of these securities have been impacted significantly from these events.



Required Supplementary Information
(Unaudited)

State of Vermont
Required Supplementary Information
Defined Benefit Pension Plans
Schedule of Funding Progress
(dollar amounts in 1000's)
(Unaudited)

Actuarial Valuation Date 6/30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Actuarial Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
VSRS¹						
2008	\$1,377,101	\$ 1,464,202	\$ 87,101	94.1%	\$ 404,938	21.5%
2007	1,318,687	1,307,643	(11,044)	100.8%	386,917	-2.9%
2006	1,223,323	1,232,367	9,044	99.3%	369,310	2.4%
2005	1,148,908	1,174,796	25,888	97.8%	349,258	7.4%
2004	1,081,359	1,107,634	26,275	97.6%	336,615	7.8%
2003	1,025,469	1,052,004	26,535	97.5%	319,855	8.3%
STRS¹						
2008	\$1,605,462	\$ 1,984,967	\$ 379,505	80.9%	\$ 535,807	70.8%
2007	1,541,860	1,816,650	274,790	84.9%	515,573	53.3%
2006	1,427,393	1,686,502	259,109	84.6%	499,044	51.9%
2005	1,354,006	1,492,150	138,144	90.7%	468,858	29.5%
2004	1,284,833	1,424,662	139,829	90.2%	453,517	30.8%
2003	1,218,001	1,358,822	140,821	89.6%	437,239	32.2%
MERS						
2008	\$ 348,740	\$ 343,685	\$ (5,055)	101.5%	\$ 175,894	-2.9%
2007	325,774	309,853	(15,921)	105.1%	162,321	-9.8%
2006	288,347	276,552	(11,795)	104.3%	148,815	-7.9%
2005	259,076	248,140	(10,936)	104.4%	146,190	-7.5%
2004	232,890	225,092	(7,798)	103.5%	135,351	-5.8%
2003	222,854	218,533	(4,321)	102.0%	126,216	-3.4%

¹ The funding method for VSRS and STRS was changed from "entry age normal with frozen initial liability" to "entry age normal" effective with the 2006 actuarial valuation.

State of Vermont
Required Supplementary Information
Defined Benefit Pension Plans
Schedule Of Employer Contributions
(Unaudited)

Retirement System	Year Ended 6/30	Annual Required Contribution	Percentage Contributed
Vermont State Retirement System	2008	\$ 42,375,068	92.49%
	2007	40,189,812	97.78%
	2006	38,214,704	97.58%
	2005	36,019,056	101.32%
	2004	29,023,431	91.81%
	2003	24,715,309	98.70%
State Teachers' Retirement System	2008	\$ 41,204,051	99.40%
	2007	38,929,729	98.89%
	2006	56,627,046	44.06%
	2005	47,714,318	51.23%
	2004	41,658,946	58.68%
	2003	28,279,810	72.30%
Vermont Municipal Employees' Retirement System	2008	\$ 0	NA
	2007	8,546,496	100.00%
	2006	7,839,769	100.00%
	2005	7,359,628	100.00%
	2004	6,616,630	100.00%
	2003	5,854,111	100.00%

For fiscal year 2008, the Vermont Municipal Employees' Retirement System required no employer contributions for the defined benefit pension plan. Instead, employer contributions were directed to the OPEB defined contribution plan's Vermont Municipal Employee's Health Benefit Fund.

State of Vermont
Required Supplementary Information
Other Postemployment Benefit Plans
Schedule of Funding Progress

(dollar amounts in 1000's)
 (Unaudited)

Actuarial Valuation Date 6/30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
State Employees' Postemployment Benefit Pension Trust Fund						
2008	\$ 3,664	\$ 754,690	\$ 751,026	0.5%	\$404,937	185.5%
2007	2,211	606,499	604,288	0.4%	386,917	156.2%
2006	-	552,152	552,152	0.0%	369,310	149.5%
State Teachers Retiree Medical Benefit Plan						
2008	-	863,555	863,555	0.0%	535,807	161.2%
2007	-	820,212	820,212	0.0%	515,573	159.1%
2006	-	952,526	952,526	0.0%	499,044	190.9%

Based on a discount rate of 3.75% for 2005 - 2007 and 4.00% for 2008.

State of Vermont
Required Supplementary Information
Other Postemployment Benefit Plans
Schedule Of Employer Contributions
(Unaudited)

OPEB Fund	Year Ended 6/30	Annual Required Contribution *	Percentage Contributed
State Employees' Postemployment Benefit Pension Trust Fund			
Benefit Pension Trust Fund	2008	\$ 47,284,903	37.59%
	2007	40,874,365	5.41%
Postemployment Benefits for State Teachers Retirement System			
	2008	\$ 60,220,989	0.00%

* Determined on a pay-as-you-go-basis

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Based)	Over (Under)
Revenues:				
Taxes.....	\$ 1,141,500,000	\$ 1,160,700,000	\$ 1,170,298,624	\$ 9,598,624
Earnings of Departments.....	14,800,000	15,000,000	14,721,589	(278,411)
Other.....	13,900,000	14,000,000	14,743,844	743,844
Total revenues.....	1,170,200,000	1,189,700,000	1,199,764,057	10,064,057
Expenditures:				
General Government				
Agency of Administration.....	46,257,428	53,944,634	52,729,149	(1,215,484)
Executive Office.....	1,526,498	1,539,803	1,537,435	(2,368)
Legislative Council.....	9,713,705	11,108,459	10,235,249	(873,210)
Joint Fiscal Office.....	1,270,768	1,401,608	1,300,671	(100,937)
Sergeant at Arms.....	598,371	632,870	576,293	(56,577)
Lieutenant Governors Office.....	154,712	155,243	155,243	-
Auditor of Accounts.....	524,568	593,600	559,567	(34,033)
Office of Treasurer.....	1,130,214	1,142,581	1,031,826	(110,756)
State Labor Relations Board.....	204,348	216,556	192,665	(23,891)
VOSHA Review Board.....	20,192	24,528	21,628	(2,900)
Protection to Persons and Property				
Attorney General.....	5,735,281	6,988,448	6,983,448	(5,000)
Defender General.....	9,513,240	9,872,463	9,826,562	(45,901)
Judiciary.....	30,267,034	31,257,335	31,251,679	(5,656)
State's Attorneys & Sheriffs.....	11,783,756	12,140,701	11,343,966	(796,735)
Department of Public Safety.....	12,471,118	13,586,567	13,492,026	(94,542)
Military Department.....	3,413,909	3,877,402	3,799,205	(78,197)
Center Crime Victim Services.....	1,315,020	1,316,126	1,160,058	(156,068)
Criminal Justice Training Council.....	1,385,881	1,404,607	1,388,305	(16,302)
Agency of Agricultural, Food, and Markets.....	5,856,116	7,585,366	5,818,938	(1,766,428)
Banking, Insurance, Securities, and				
Health Care Administration.....	316,000	315,469	283,739	(31,730)
Secretary of State.....	588,801	599,902	587,882	(12,020)
Public Service Department.....	-	56,777	6,279	(50,498)
Vermont Racing Commission.....	1,000	1,000	522	(477)
Human Rights Commission.....	326,850	354,409	320,677	(33,732)
Human Services				
Agency of Human Services.....	494,249,094	524,914,870	518,258,402	(6,656,468)
Governor's Commission on Women.....	260,890	267,602	264,764	(2,838)
Human Services Board.....	50,063	54,978	54,978	-
Labor				
Department of Labor.....	2,358,195	3,339,717	2,991,392	(348,325)

Continued on next page —>

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Based)	Over (Under)
Expenditures:				
General Education				
Department of Education.....	15,086,668	17,656,232	17,014,258	(641,974)
Property Tax Assistance.....	-	-	-	-
Renter Rebates Tax Assistance.....	2,277,149	2,277,149	2,236,816	(40,333)
State Teachers' Retirement.....	39,549,097	39,549,097	39,549,097	-
Higher Education.....	83,883,621	83,858,621	83,858,615	(6)
Natural Resources				
Agency of Natural Resources.....	25,425,063	29,572,125	25,764,366	(3,807,759)
Natural Resources Board.....	1,057,827	1,319,993	1,192,325	(127,668)
Commerce and Community Development				
Agency of Commerce & Community Development....	14,183,602	18,076,185	15,535,998	(2,540,187)
Cultural Development.....	1,681,902	1,690,552	1,690,552	-
Vermont Economic Development Authority.....	-	165,000	165,000	-
Transportation				
Agency of Transportation.....	-	1,516,809	171,810	(1,344,999)
Debt service				
Principal and Interest.....	64,929,281	64,205,317	64,205,317	-
Total expenditures	889,367,262	948,580,700	927,556,703	(21,023,997)
Excess of revenues over expenditures	280,832,738	241,119,300	272,207,353	31,088,054
Other Financing Sources (Uses):				
Transfers in.....	3,346,416	23,185,490	23,185,490	-
Transfers out.....	(288,281,051)	(293,843,460)	(293,843,460)	-
Proceeds from Refunding Bonds.....	-	29,011,368	29,011,368	-
Payment to Escrow Agent.....	-	(29,375,437)	(29,375,437)	-
Premium on sale of bonds.....	-	798,046	798,046	-
Total other financing sources (uses)	(284,934,635)	(270,223,993)	(270,223,993)	-
Excess of revenues and other sources over (under) expenditures and other uses	(4,101,897)	(29,104,693)	1,983,360	31,088,054
Fund balance, July 1	121,500,500	121,500,500	121,500,500	-
Fund balance, June 30	\$ 117,398,603	\$ 92,395,807	\$ 123,483,861	31,088,054

The accompanying notes are an integral part of the required supplementary information.

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
TRANSPORTATION FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Based)	Over (Under)
Revenues:				
Taxes.....	\$ 138,200,000	\$ 133,800,000	\$ 138,032,553	\$ 4,232,553
Motor Vehicle Fees.....	70,600,000	68,300,000	67,541,444	(758,556)
Federal.....	204,264,381	205,618,613	176,254,008	(29,364,605)
Other.....	20,600,000	24,100,000	24,541,905	441,905
Total revenues.....	433,664,381	431,818,613	406,369,910	(25,448,704)
Expenditures:				
General Government				
Agency of Administration.....	-	51,072	41,604	(9,469)
Joint Fiscal Office.....	-	85	-	(85)
Sergeant at Arms.....	-	639	-	(639)
Protection to Persons and Property				
Department of Public Safety.....	34,879,736	36,015,339	36,015,132	(207)
General Education				
Department of Education.....	127,483	127,483	127,483	-
Transportation				
Agency of Transportation.....	406,164,252	416,216,696	370,604,872	(45,611,824)
Debt service				
Principal and Interest.....	1,994,895	1,996,862	1,996,862	-
Total expenditures.....	443,166,366	454,408,176	408,785,952	(45,622,224)
Excess of revenues over (under) expenditures.....	(9,501,985)	(22,589,563)	(2,416,043)	20,173,521
Other Financing Sources (Uses):				
Transfers in.....	-	1,292,580	1,292,580	-
Transfers out.....	(2,390,512)	(3,510,512)	(3,510,512)	-
Total other financing sources (uses).....	(2,390,512)	(2,217,932)	(2,217,932)	-
Excess of revenues and other sources over (under) expenditures and other uses.....	(11,892,497)	(24,807,495)	(4,633,975)	20,173,521
Fund balance, July 1.....	14,399,649	14,399,649	14,399,649	-
Fund balance, June 30.....	2,507,152	\$ (10,407,846)	\$ 9,765,674	\$ 20,173,521

The accompanying notes are an integral part of the required supplementary information.

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
EDUCATION FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Based)	Over (Under)
Revenues:				
Taxes.....	\$ 944,023,783	\$ 940,204,652	\$ 939,994,929	\$ (209,723)
Interest & premiums.....	(1,500,000)	(1,500,000)	(1,305,755)	194,245
Total revenues.....	<u>942,523,783</u>	<u>938,704,652</u>	<u>938,689,175</u>	<u>(15,477)</u>
Expenditures:				
General education				
Department of Education.....	1,250,673,314	1,129,923,315	1,125,455,103	(4,468,212)
Property Tax Assistance.....	3,228,945	122,194,186	121,207,716	(986,470)
Renter Rebates.....	5,347,674	5,347,674	4,491,100	(856,574)
Total expenditures.....	<u>1,259,249,933</u>	<u>1,257,465,175</u>	<u>1,251,153,919</u>	<u>(6,311,256)</u>
Excess of revenues over (under) expenditures.....	<u>(316,726,150)</u>	<u>(318,760,523)</u>	<u>(312,464,745)</u>	<u>6,295,778</u>
Other Financing Sources (Uses):				
Transfers in.....	286,650,791	309,357,229	309,357,229	-
Transfers out.....	-	(4,700,000)	(4,700,000)	-
Total other financing sources (uses).....	<u>286,650,791</u>	<u>304,657,229</u>	<u>304,657,229</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses.....	<u>(30,075,359)</u>	<u>(14,103,294)</u>	<u>(7,807,516)</u>	<u>6,295,778</u>
Fund balance, July 1.....	<u>49,334,243</u>	<u>49,334,243</u>	<u>49,334,243</u>	<u>-</u>
Fund balance, June 30.....	<u>\$ 19,258,884</u>	<u>\$ 35,230,949</u>	<u>\$ 41,526,727</u>	<u>\$ 6,295,778</u>

The accompanying notes are an integral part of the required supplementary information.

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
SPECIAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Based)	Over (Under)
Revenues:				
Special Fund Revenues.....	\$ 243,447,795	\$ 226,116,091	\$ 201,988,809	\$ (24,127,282)
Total revenues.....	243,447,795	226,116,091	201,988,809	(24,127,282)
Expenditures:				
General government				
Agency of Administration.....	17,152,045	22,309,632	14,227,897	(8,081,735)
Executive Office.....	183,477	273,477	186,815	(86,662)
Legislative Council.....	-	42,296	32,879	(9,417)
Auditor of Accounts.....	54,431	72,201	72,201	-
Sergeant At Arms.....	-	3,310	-	(3,310)
Treasurer's Office.....	1,542,265	1,997,606	1,972,134	(25,472)
State Labor Relations Board.....	5,870	9,453	9,355	(98)
VOSHA Review Board.....	-	5,188	-	(5,188)
Unorganized Towns & Gores.....	-	185,000	122,251	(62,749)
Protection to persons and property				
Attorney General.....	3,030,132	6,666,638	5,840,163	(826,475)
Defender General.....	632,731	706,793	699,371	(7,422)
Judiciary.....	4,278,982	4,684,202	3,518,347	(1,165,855)
State's Attorneys & Sheriffs.....	2,323,245	2,321,056	2,110,900	(210,156)
Department of Public Safety.....	11,810,286	12,884,412	12,192,546	(691,866)
Military Department.....	-	91,040	90,742	(298)
Center of Crime Victim's Services.....	5,652,450	5,702,450	4,917,614	(784,836)
Criminal Justice Training Council.....	638,025	922,582	709,801	(212,781)
Agency of Agriculture, Food & Markets.....	8,359,555	9,026,553	6,882,330	(2,144,223)
Banking, Insurance, Securities, and				
Health Care Administration.....	13,043,661	13,145,675	12,250,241	(895,434)
Secretary of State.....	4,167,464	4,917,281	4,888,712	(28,569)
Public Service Department.....	10,173,054	11,012,566	7,176,216	(3,836,350)
Public Service Board.....	2,826,024	2,754,762	2,529,994	(224,768)
Enhanced 911 Board.....	3,356,610	3,658,110	3,624,152	(33,958)
Department of Liquor Control.....	-	196,430	63,312	(133,118)
Human Rights Commission.....	-	43,377	-	(43,377)
Human services				
Agency of Human Services.....	84,447,256	93,130,188	83,108,371	(10,021,817)
Governor's Commission on Women.....	5,000	38,374	34,053	(4,321)
Human Services Board.....	280,024	280,024	238,655	(41,369)
Vermont Veterans Home.....	10,466,920.00	11,257,424.09	10,909,210	(348,214)
Labor				
Department of Labor.....	7,531,057	10,358,762	7,126,561	(3,232,201)
General education				
Department of Education.....	18,493,770	18,687,142	14,613,920	(4,073,222)
Higher Education.....	3,700,000	6,299,999	6,299,998	(1)

Continued on next page —>

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
SPECIAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Based)	Over (Under)
Expenditures:				
Natural resources				
Agency of Natural Resources.....	28,640,037	32,707,655	29,281,854	(3,425,801)
Natural Resources Board.....	1,774,212	1,779,731	1,612,376	(167,355)
Commerce and community development				
Agency of Commerce & Community Development....	7,455,779	10,421,756	6,702,363	(3,719,393)
Cultural Development.....	-	24,250	24,250	-
Transportation				
Agency of Transportation.....	100,000	1,201,845	1,068,624	(133,221)
Public service enterprises				
Public Service Department.....	13,402	3,517,402	3,457,722	(59,680)
Debt service				
Principal and Interest.....	2,495,850	2,495,850	2,495,850	-
Total Expenditures	<u>254,633,614</u>	<u>295,832,492</u>	<u>251,091,780</u>	<u>(44,740,712)</u>
Excess of revenues over (under) expenditures.....	<u>(11,185,819)</u>	<u>(69,716,401)</u>	<u>(49,102,971)</u>	<u>20,613,430</u>
Other Financing Sources (Uses):				
Proceeds on Sale of Refunding Bond.....	-	183,632	183,632	-
Transfers in.....	11,185,819	69,716,401	69,716,401	-
Transfers out.....	(7,935,939)	(20,064,940)	(20,064,940)	-
Total other financing sources (uses)	<u>3,249,880</u>	<u>49,651,461</u>	<u>49,835,093</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses.....	<u>(7,935,939)</u>	<u>(20,064,940)</u>	<u>732,122</u>	<u>20,613,430</u>
Fund balance, July 1.....	<u>75,568,335</u>	<u>75,568,335</u>	<u>75,568,335</u>	<u>-</u>
Fund balance, June 30.....	<u>\$ 67,632,396</u>	<u>\$ 55,503,396</u>	<u>\$ 76,300,457</u>	<u>\$ 20,613,430</u>

The accompanying notes are an integral part of the required supplementary information.

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
FEDERAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Based)	Over (Under)
Revenues:				
Federal.....	\$ 1,103,963,594	\$ 1,123,849,699	\$ 1,110,888,614	\$ (12,961,086)
Interest and premiums.....	-	573,398	573,398	-
Other.....	-	(645,048)	(210,344)	434,704
Total revenues.....	1,103,963,594	1,123,778,049	1,111,251,668	(12,526,382)
Expenditures:				
General Government				
Agency of Administration.....	860,814	2,351,519	2,310,860	(40,659)
Executive Office.....	1,615,321	1,615,321	1,173,811	(441,510)
Treasurer's Office.....	-	391,479	391,479	-
VOSHA Review Board.....	20,190	20,190	20,175	(15)
Protection to Persons and Property				
Attorney General.....	763,000	763,000	763,000	-
Judiciary.....	414,327	414,327	296,036	(118,291)
State's Attorneys & Sheriffs.....	25,000	25,000	9,437	(15,563)
Department of Public Safety.....	20,867,056	23,493,921	17,608,257	(5,885,664)
Military Department.....	13,766,057	18,990,445	18,454,328	(536,117)
Center of Crime Victim Services.....	4,021,120	4,021,120	3,361,352	(659,769)
Agency of Agriculture, Food & Markets.....	1,525,681	1,694,137	1,538,531	(155,607)
Banking, Insurance, Securities & Health Care.....	1,000,000	1,000,000	-	(1,000,000)
Secretary of State.....	2,000,000	2,000,000	686,554	(1,313,446)
Pubic Service Department.....	1,157,800	1,157,800	751,384	(406,416)
Human Rights Commission.....	170,739	170,739	154,093	(16,646)
Human Services				
Agency of Human Services.....	878,648,160	856,080,183	831,752,325	(24,327,858)
Human Services Board.....	11,993	11,993	11,993	-
Vermont Veteran's Home.....	5,046,500	5,046,500	5,046,500	-
Labor				
Department of Labor.....	20,634,028	20,747,666	18,498,379	(2,249,287)
General Education				
Department of Education.....	116,935,063	116,999,001	108,619,687	(8,379,314)
Natural Resources				
Agency of Natural Resources.....	13,659,970	26,642,945	22,330,124	(4,312,821)
Commerce and Community Development				
Agency of Commerce & Community Development..	10,564,658	22,986,896	11,027,587	(11,959,309)
Total expenditures.....	1,093,707,477	1,106,624,182	1,044,805,890	(61,818,293)
Excess of revenues over expenditures.....	10,256,117	17,153,867	66,445,778	49,291,911
Other Financing Sources (Uses):				
Transfers in.....	-	2,509,585	2,509,585	-
Transfers out.....	(10,256,117)	(35,014,199)	(35,014,199)	-
Total other financing sources (uses).....	(10,256,117)	(32,504,615)	(32,504,615)	-
Excess of revenues and other sources over (under) expenditures and other uses.....	-	(15,350,748)	33,941,163	49,291,911
Fund balance, July 1.....	(11,326,480)	(11,326,480)	(11,326,480)	-
Fund balance, June 30.....	\$ (11,326,480)	\$ (26,677,228)	\$ 22,614,683	\$ 49,291,911

The accompanying notes are an integral part of the required supplementary information.

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
GLOBAL COMMITMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Based)	Over (Under)
Revenues:				
Global Commitment Premiums.....	\$ 871,278,097	\$ 810,542,092	\$ 813,181,727	\$ 2,639,635
Total revenues.....	<u>871,278,097</u>	<u>810,542,092</u>	<u>813,181,727</u>	<u>2,639,635</u>
Expenditures:				
General Government.....				
Agency of Administration.....	105,000	175,000	175,000	-
Protection to Persons and Property				
Banking, Insurance, Securities, and				
Health Care Administration.....	1,404,997	1,404,997	1,340,728	(64,269)
Human Services				
Agency of Human Services.....	825,917,590	797,363,286	778,924,112	(18,439,175)
Vermont Veteran's Home.....	913,047	913,047	913,047	-
General Education				
Higher Education.....	4,411,563	4,411,563	4,411,559	(4)
Department of Education.....	1,052,999	1,052,999	1,002,730	(50,269)
Total expenditures.....	<u>833,805,196</u>	<u>805,320,892</u>	<u>786,767,175</u>	<u>(18,553,717)</u>
Excess of revenues over expenditures.....	<u>37,472,901</u>	<u>5,221,200</u>	<u>26,414,551</u>	<u>21,193,352</u>
Other Financing Sources (Uses):				
Transfers out.....	(26,281,566)	(23,042,508)	(23,042,508)	-
Total other financing sources (uses).....	<u>(26,281,566)</u>	<u>(23,042,508)</u>	<u>(23,042,508)</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses.....	<u>11,191,335</u>	<u>(17,821,308)</u>	<u>3,372,043</u>	<u>21,193,352</u>
Fund balance, July 1.....	<u>38,913,511</u>	<u>38,913,511</u>	<u>38,913,511</u>	<u>-</u>
Fund balance, June 30.....	<u>\$ 50,104,846</u>	<u>\$ 21,092,203</u>	<u>\$ 42,285,554</u>	<u>\$ 21,193,352</u>

The accompanying notes are an integral part of the required supplementary information.

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
STATE HEALTH CARE RESOURCES FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Based)	Over (Under)
Revenues:				
State Health Care Resources Fund Revenues.....	\$ 141,200,000	\$ 140,400,000	\$ 138,976,112	\$ (1,423,888)
Total revenues	141,200,000	140,400,000	138,976,112	(1,423,888)
Expenditures:				
Human services				
Agency of Human Services.....	157,186,147	148,325,411	148,325,411	-
Total expenditures	157,186,147	148,325,411	148,325,411	-
Excess of revenues over (under) expenditures...	(15,986,147)	(7,925,411)	(9,349,299)	(1,423,888)
Fund balance, July 1	8,766,596	8,766,596	8,766,596	-
Fund balance, June 30	\$ (7,219,551)	\$ 841,185	\$ (582,703)	\$ (1,423,888)

The accompanying notes are an integral part of the required supplementary information.

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
TOBACCO TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Based)	Over (Under)
Revenues:				
Tobacco Trust Funds Revenue.....	\$ 37,220,133	\$ 37,220,324	\$ 40,539,307	\$ 3,318,983
Total revenues.....	37,220,133	37,220,324	40,539,307	3,318,983
Expenditures:				
General government				
Agency of Administration.....	58,000	58,000	58,000	-
Protection to persons and property				
Attorney General.....	290,000	290,000	290,000	-
Judiciary.....	40,000	40,000	40,000	-
Department of Liquor Control.....	289,645	289,836	289,836	-
Human services				
Agency of Human Services.....	35,546,820	35,546,820	35,546,820	-
General education				
Department of Education.....	995,668	995,668	942,472	(53,196)
Total expenditures.....	37,220,133	37,220,324	37,167,128	(53,196)
Excess of revenues over expenditures.....	-	-	3,372,179	3,265,787
Fund balance, July 1.....	30,935,145	30,935,145	30,935,145	-
Fund balance, June 30.....	\$ 30,935,145	\$ 30,935,145	\$ 34,307,324	\$ 3,265,787

The accompanying notes are an integral part of the required supplementary information.

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
CATAMOUNT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Based)	Over (Under)
Revenues:				
Catamount Fund Revenues.....	\$ 19,200,000	\$ 22,500,000	\$ 15,742,544	\$ (6,757,456)
Total revenues.....	19,200,000	22,500,000	15,742,544	(6,757,456)
Expenditures:				
Human services				
Agency of Human Services.....	11,168,430	13,205,328	13,204,181	(1,147)
Employment & Training				
Department of Labor.....	394,072	394,072	258,466	(135,606)
Total expenditures.....	11,562,502	13,599,400	13,462,648	(136,752)
Excess of revenues over expenditures.....	7,637,498	8,900,600	2,279,896	(6,620,704)
Other Financing Sources (Uses):				
Transfers in.....	-	3,500,000	3,500,000	-
Total other financing sources (uses)....	-	3,500,000	3,500,000	-
Excess of revenues and other sources over (under) expenditures and other uses.....	7,637,498	12,400,600	5,779,896	(6,620,704)
Fund balance, July 1.....	4,644,780	4,644,780	4,644,780	-
Fund balance, June 30.....	\$ 12,282,278	\$ 17,045,380	\$ 10,424,676	\$ (6,620,704)

The accompanying notes are an integral part of the required supplementary information.

Note to the Required Supplementary Information—Budgetary Reporting (unaudited)

Budgetary Process

Vermont statutes require the head of every State department, board, and commission and any officer or individual responsible for any activity for which funds are appropriated by the Vermont Legislature to provide, on or before September 1 preceding any biennium, statements to the Commissioner of Finance and Management showing in detail the amounts appropriated and expended for both the current and preceding fiscal years and the amount estimated to be necessary for similar activity for the ensuing two fiscal years. The Commissioner of Finance and Management and the Secretary of Administration are then required to submit to the Governor by November 15 preceding each biennium, the estimates as received along with any other estimates for the ensuing two fiscal years. The Governor then submits to the Vermont Legislature, no later than the third Tuesday of every annual session, a budget that embodies estimates, requests, and recommendations for appropriations or other authorizations for expenditures from the State treasury for at least the succeeding fiscal year. The Vermont Legislature then enacts into law an appropriations act that must be approved by the Governor before expenditures can be made. In recent years in accordance with Act 250 of 1979 Section 125, it has been the practice of the Governor to submit an annual budget and the Vermont Legislature to enact appropriations on an annual basis.

Budgets are prepared and appropriated on a cash basis usually at the program level. The Governor may amend appropriations or transfer appropriations within limits established by 32 V.S.A. Chapter 9. The Agency of Administration maintains budgetary control by fund at the appropriation level. Governmental funds' unspent appropriation balances revert to the fund balance at the end of each fiscal year for re-appropriation unless authorized to be carried forward to the following year(s) by legislative act. Unexpended balances of capital projects funds are available for expenditure in the following fiscal year(s).

Budgetary Funds

Vermont's annual Appropriation Act, the State's legally adopted budget, does not present budgets using the same fund structure as what is used for reporting in accordance with accounting principles generally accepted in the United States of America (GAAP). The GAAP basis Special Fund is represented in the Appropriation Act as program-level budgets for the Special, State Health Care Resources, Tobacco Trust and Catamount Funds. These funds are present separately in the accompanying schedules.

Revenue Estimates

By July 31 each year, the Joint Fiscal Office and the Secretary of Administration provide to the Emergency Board their respective estimates of state revenues in the General, Transportation, Education, Catamount, State Health Care Resources, and Global Commitment Funds. The Emergency Board then has 10 days to determine the original revenue estimates for the fiscal year. For the Special and Federal Revenue Funds, the original budget for revenues is based on the amount appropriated for expenditures. By January 15, the Joint Fiscal Office and the Secretary of Administration provide to the Emergency Board their respective estimates of state revenues and the Emergency Board determines any revision to the July revenue estimates.

Expenditure and Transfer Budgets

The original budgets for expenditures and transfers are determined by the Legislature through the passage of the annual Appropriation Act. The Secretary of Administration (with approval from the Governor) may transfer balances of appropriations not to exceed \$50,000 made under any appropriation act for the support of the government from one component of an agency, department, or other unit of state government, to any component of the same agency, department, or unit; and may transfer balances of appropriations made under any appropriation act from one department or unit of the agency of transportation to another department or unit of the agency of transportation for the specific purpose of funding authorized transportation projects which have been approved by the federal government for advance construction in which the expenditure of state funds will be reimbursed by federal funds when the federal funds become available, and the transfer is limited to funds which have been approved for reimbursement. If any receipts including federal receipts exceed the appropriated amounts, the receipts may be allocated and expended, subject to the approval of the Secretary of Administration. If, however, the expenditure of those receipts will establish or increase the scope of the program,

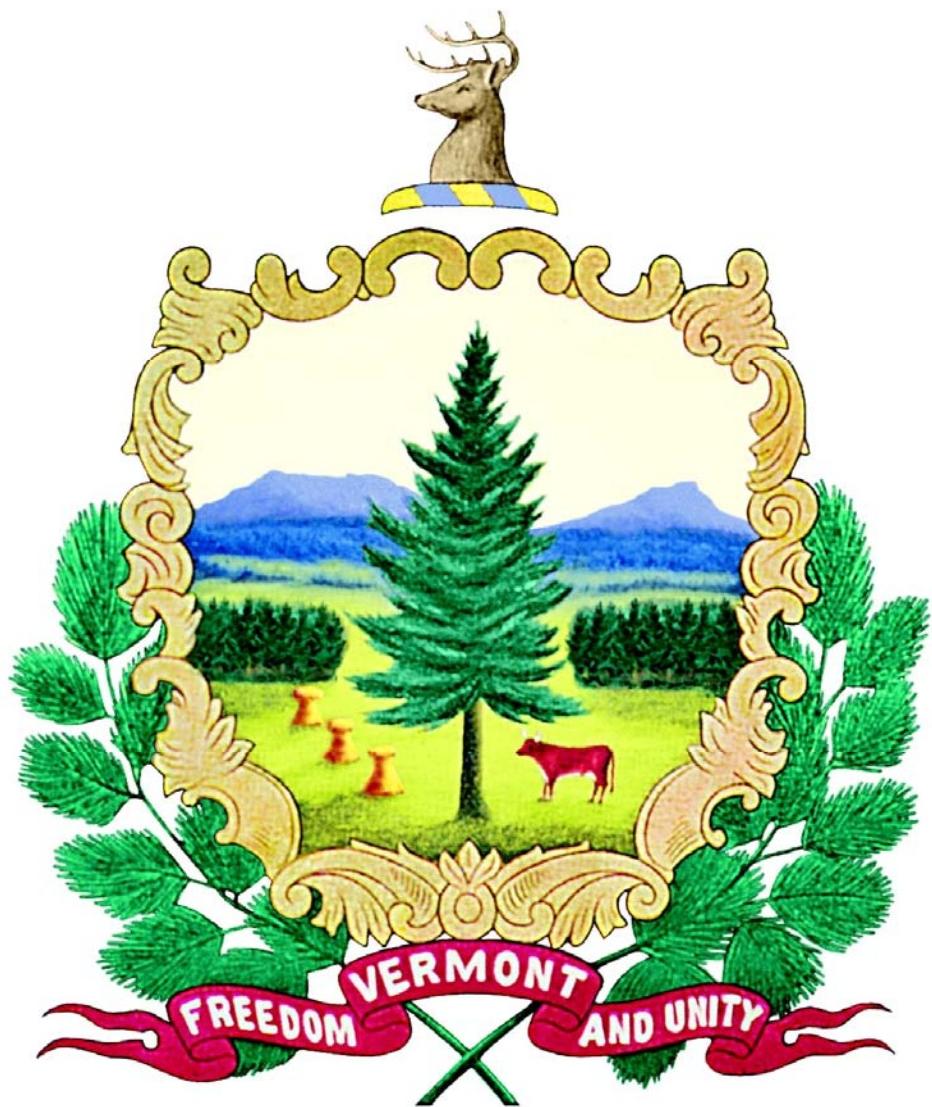
which establishment or increase will at any time commit the State to the expenditure of State funds, they may be expended only upon the approval of the Legislature.

Budget and GAAP Basis Reporting

The accompanying budgetary comparison schedules report the actual revenues, expenditures and other financing sources (uses) on a budget basis, which differs significantly from GAAP. These different accounting principles result in basis, perspective, and entity differences in the fund balance—budgetary basis. *Basis differences* arise because the basis of budgeting (cash basis) differs from the GAAP basis used to prepare the statement of revenues, expenditures, and changes in fund balances—governmental funds. *Perspective differences* result because the Appropriation Act's program-oriented structure differs from the fund structure required for GAAP. *Entity differences* arise because certain activity reported within the State's financial reporting entity for GAAP purposes is excluded from the Appropriation Act. The following presents a reconciliation of the budgetary basis and GAAP basis fund balances for the funds reported in the accompanying schedules for the fiscal year ended June 30, 2008.

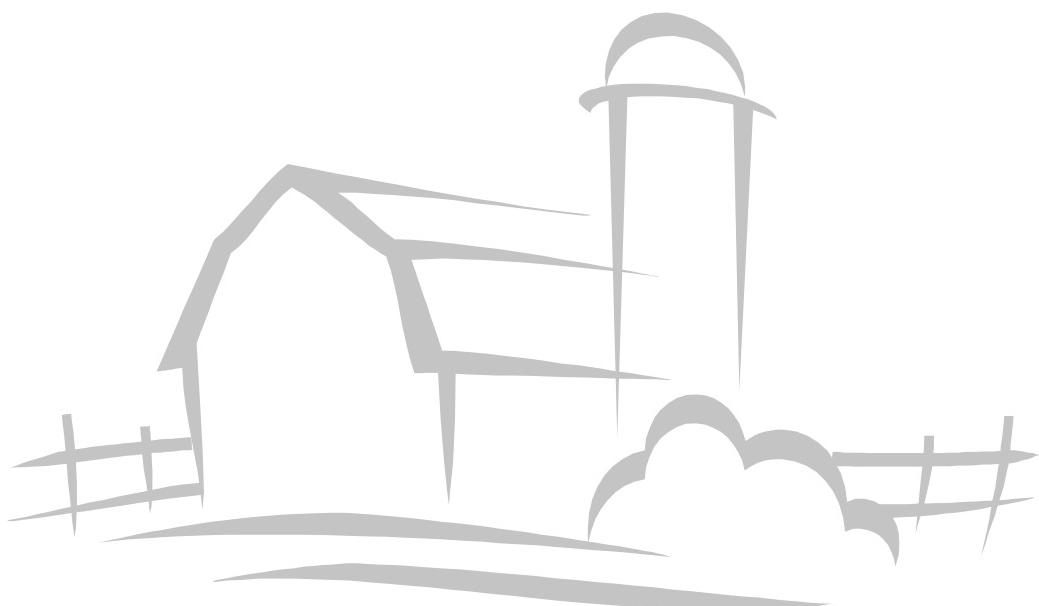
	General Fund	Transportation Fund	Education Fund	Federal Revenue Fund	Global Commitment Fund
Fund Balance - Budgetary Basis....	\$ 123,483,861	\$ 9,765,674	\$ 41,526,727	\$ 22,614,683	\$ 42,285,554
<u>Basis differences:</u>					
Cash not in budget balances.....	17,674	4,756	-	1,485	-
Escrow deposits not included in budget balances.....	-	153,284	-	-	-
Taxes receivable.....	194,304,668	7,994,826	13,756,575	-	-
Notes and loan receivable.....	166,851	433,779	-	-	-
Other receivables.....	4,877,934	9,512,581	-	1,549,969	16,723,693
Interest receivable.....	72,211	1,190	-	22,414	-
Due from other funds.....	3,640,166	544,994	-	462,012	118,370
Due from federal government.....	-	22,967,974	-	64,829,356	-
Accounts payable.....	(22,669,911)	(22,174,208)	(12,499,747)	(32,953,160)	(80,095,022)
Intergovernment Payables.....	-	-	-	(8,124,107)	-
Accrued liabilities.....	(16,144,128)	(7,218,899)	-	(6,574,139)	(2,919,987)
Retainage payable.....	(25,324)	(406,540)	-	(43,762)	(808,404)
Deferred revenue.....	(128,747,020)	(10,472,889)	(2,407,220)	(14,982,771)	(11,130,282)
Tax refunds payable.....	(3,175,148)	-	-	-	-
Due to other funds.....	(78,910)	(19,181)	(73,845)	(1,834,685)	(264,977)
<u>Entity differences:</u>					
Blended non-budgeted funds.....	-	2,526,087	-	42,854,832	-
<u>Perspective differences:</u>					
Component unit include in budgeted funds.....	-	-	-	1,933,952	-
Fund Balance - GAAP Basis....	\$ 155,722,924	\$ 13,613,428	\$ 40,302,490	\$ 69,756,079	\$ (36,091,055)

	Budget Basis Funds				GAAP Basis
	Special Fund	State Health Care Resource Fund	Tobacco Trust Fund	Catamount Fund	Special Fund
Fund Balance - Budgetary Basis....	\$ 76,300,457	\$ (582,703)	\$ 34,307,324	\$ 10,424,676	\$ -
<u>Basis differences:</u>					
Cash not in budget balances.....	3,144,590	-	(1,676,326)	-	-
Taxes receivable.....	2,658,780	820,793	-	-	-
Other receivables.....	6,946,911	2,035	-	1,192	-
Interest receivable.....	17,108	-	-	-	-
Due from other funds.....	1,514,075	-	1,657	-	-
Due from component units.....	31,463	-	-	-	-
Accounts payable.....	(10,242,597)	(190)	(92,179)	(18,929)	-
Accrued liabilities.....	(3,976,020)	-	(38,728)	(39,898)	-
Retainage payable.....	(1,023,013)	-	-	-	-
Deferred revenue.....	(5,814,765)	(318,634)	-	(1,192)	-
Tax refunds payable.....	(5,270)	(101,485)	-	-	-
Due to other funds.....	(208,278)	-	-	(48,667)	-
Due to component units.....	(368,354)	-	-	-	-
<u>Entity differences:</u>					
Blended non-budgeted funds.....	9,223,722	-	-	-	-
<u>Perspective differences:</u>					
Component unit include in budgeted funds.....	(4,255,499)	-	-	-	-
Budgeted funds reclassified to GAAP basis major governmental fund.....	(73,943,310)	180,184	(32,501,748)	(10,317,182)	116,582,056
Fund Balance - GAAP Basis....	\$ 0	\$ 0	\$ 0	\$ 0	\$ 116,582,056



Supplementary Information

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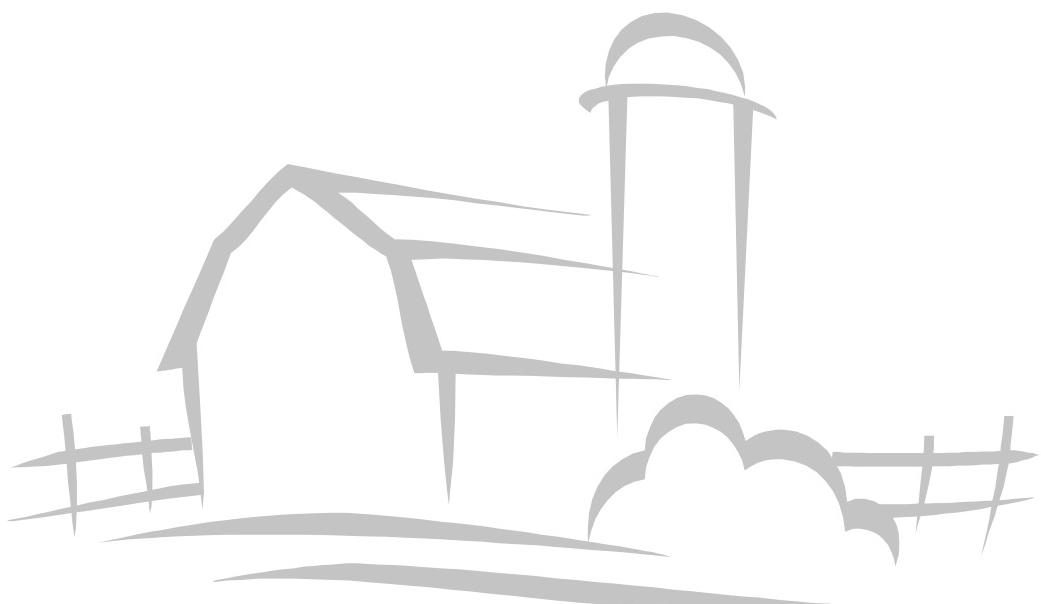


Vermont



COMBINING FINANCIAL STATEMENTS

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Vermont

Fish & Wildlife Fund – This fund is used to account for the activities of the Fish and Wildlife Department. The Fish and Wildlife Department's mission is to protect and conserve the State's fish, wildlife, plants and their habitats for the people of Vermont.

General Bond Fund – This fund accounts for general capital improvement expenditures funded by the issuance of State capital bonds.

Transportation Bond Fund – This fund accounts for transportation capital improvement expenditures funded by the issuance of State capital bonds.

Higher Education Endowment Fund – This is a permanent fund whose revenue is used by the University of Vermont and Vermont State Colleges to provide non loan financial assistance to Vermont students attending their institutions and by the Vermont Student Assistance Corporation to provide non loan financial assistance to Vermont students attending a Vermont postsecondary institution.

Vermont Sanitorium Fund – This is a permanent fund whose income is to be used for the treatment and cure of respiratory diseases.

Albert C. Lord Trust Fund – This is a permanent fund whose income is to be used for demonstrations, lectures and instruction in the care of woodlots and restoration.

Lumberjack Fund – This is a permanent fund whose income is to strengthen annual workshops for educators interested in enhancing classroom skills in the area of fish and wildlife management.

Couching Lion Farm Cemetery Fund – This is a permanent fund whose income is to provide for the care of a private cemetery in Camel's Hump State Park.

Laura H. Morgan Fund— This is a permanent fund whose income is to be used to benefit the Brandon Training School.

Carrie P. Underwood Fund – This is a permanent fund whose income is to used to provide aid to poor libraries and to otherwise promote the library interests of the state.

Bennington Battle Monument Fund – This is a permanent fund whose revenue is to be used to repair and maintain the Bennington Battle Monument.

Zenus H. Ellis Fund – This is a permanent fund whose income is to be used to maintain the iron fence and flagpole at the Hubbardton battlefield.

**State of Vermont
Combining Balance Sheet
Non-major Governmental Funds
JUNE 30, 2008**

	<u>Special Revenue</u>		<u>Capital Projects</u>	
	<u>Fish & Wildlife Fund</u>		<u>General Bond Fund</u>	<u>Transportation Bond Fund</u>
ASSETS:				
Cash and cash equivalents.....	\$ 3,116,202	\$ 38,477,051	\$ 155,431	
Investments.....	3,274,361	-	-	
Receivables:				
Taxes receivable.....	79,429	-	-	
Accrued interest receivable.....	4,583	-	-	
Other receivables.....	455,276	-	-	
Intergovernmental receivable - federal government.....	273,289	-	-	
Due from other funds.....	7,037	-	-	
Total assets.....	\$ 7,210,177	\$ 38,477,051	\$ 155,431	
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable.....	\$ 801,705	\$ 1,933,826	\$ 101,893	
Accrued liabilities.....	650,329	-	-	
Retainage payable.....	4,468	185,781	155,431	
Due to other funds.....	10,250	-	-	
Deferred revenue.....	5,090	-	-	
Total Liabilities.....	1,471,842	2,119,607	257,324	
FUND BALANCES (DEFICITS):				
Reserved for:				
Encumbrances.....	12,358	3,639,010	-	
Endowments.....	-	-	-	
Unreserved:				
Special revenue funds.....	5,725,977	-	-	
Capital projects funds (deficit).....	-	32,718,434	(101,893)	
Permanent funds.....	-	-	-	
Total fund balances (deficits).....	5,738,335	36,357,444	(101,893)	
Total liabilities and fund balances.....	\$ 7,210,177	\$ 38,477,051	\$ 155,431	

See Independent Auditors' Report.

Permanent Funds

Higher Education Endowment Fund	Vermont Sanitorium Fund	Albert C. Lord Trust Fund	Lumberjack Fund
\$ 57,209 17,917,152	\$ 83,778 236,161	\$ 103,348 209,532	\$ 17,039 10,440
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
\$ 17,974,361	\$ 319,939	\$ 312,880	\$ 27,479
<hr/>	<hr/>	<hr/>	<hr/>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
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-	-	-	-
7,000,000	206,502	183,217	9,129
-	-	-	-
-	-	-	-
10,974,361	113,437	129,663	18,350
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17,974,361	319,939	312,880	27,479
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\$ 17,974,361	\$ 319,939	\$ 312,880	\$ 27,479

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State of Vermont
Combining Balance Sheet, Continued
Non-major Governmental Funds
June 30, 2008

	Permanent Funds		
	Couching Lion Farm Cemetery Fund	Carrie P. Underwood Fund	Laura H. Morgan Fund
ASSETS:			
Cash and cash equivalents.....	\$ 20,374	\$ 7,764	\$ 1,233
Investments.....	2,207	12,706	2,859
Receivables:			
Taxes receivable.....	-	-	-
Accrued interest receivable.....	-	-	-
Other receivables.....	-	-	-
Intergovernmental receivable - federal government.....	-	-	-
Due from other funds.....	-	-	-
Total assets.....	\$ 22,581	\$ 20,470	\$ 4,092
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable.....	\$ -	\$ -	\$ -
Accrued liabilities.....	-	-	-
Retainage payable.....	-	-	-
Due to other funds.....	-	-	-
Deferred revenue.....	-	-	-
Total Liabilities.....	-	-	-
FUND BALANCES (DEFICITS):			
Reserved for:			
Encumbrances.....	-	-	-
Endowments.....	1,930	11,110	2,500
Unreserved:			
Special revenue funds.....	-	-	-
Capital projects funds.....	-	-	-
Permanent funds.....	20,651	9,360	1,592
Total fund balances (deficits).....	22,581	20,470	4,092
Total liabilities and fund balances.....	\$ 22,581	\$ 20,470	\$ 4,092

Permanent Funds			Total Non-major Governmental Funds
Bennington Battle Monument Fund	Zenus H. Ellis Fund		
\$ -	\$ -	\$ 42,039,429	
1,966	1,840	21,669,224	
		79,429	
		4,583	
		455,276	
		273,289	
		7,037	
\$ 1,966	\$ 1,840	\$ 64,528,267	
\$ -	\$ -	\$ 2,837,424	
		650,329	
		345,680	
		10,250	
		5,090	
		3,848,773	
-	-	3,651,368	
1,065	1,000	7,416,453	
		5,725,977	
		32,616,541	
901	840	11,269,155	
1,966	1,840	60,679,494	
\$ 1,966	\$ 1,840	\$ 64,528,267	

STATE OF VERMONT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Special Revenue	Capital Projects	
	Fish & Wildlife Fund	General Bond Fund	Transportation Bond Fund
REVENUES:			
Taxes:			
Motor fuel tax.....	\$ 972,009	\$ -	\$ -
Earnings of departments:			
Fees.....	183,920	-	-
Rents and leases.....	47,283	-	-
Federal grants.....	6,887,374	-	-
Fines, forfeits and penalties.....	21,509	-	-
Investment income.....	167,428	-	-
Licenses:			
Business.....	1,310	-	-
Non-business.....	6,165,998	-	-
Other revenues.....	798,024	-	-
Total revenues.....	15,244,855	-	-
EXPENDITURES:			
General government.....	-	8,565,536	-
Protection to persons and property.....	-	3,167,257	-
Human services.....	-	2,571,210	-
General education.....	-	13,968,904	-
Natural resources.....	15,888,432	6,997,634	-
Commerce and community development.....	-	1,835,984	-
Transportation.....	-	-	101,893
Total expenditures.....	15,888,432	37,106,525	101,893
Excess of revenues over (under) expenditures.....	(643,577)	(37,106,525)	(101,893)
Other Financing Sources (Uses):			
Proceeds from the sale of bonds.....	-	46,000,000	-
Transfers in.....	422,545	-	-
Transfers out.....	-	(2,785,955)	-
Total other financing sources (uses).....	422,545	43,214,045	-
Net change in fund balances.....	(221,032)	6,107,520	(101,893)
Fund balances, July 1.....	5,959,367	30,249,924	-
Fund balances, June 30 (deficit).....	\$ 5,738,335	\$ 36,357,444	\$ (101,893)

See Independent Auditors' Report.

Permanent Funds

Higher Education Endowment Fund	Vermont Sanitorium Fund	Albert C. Lord Trust Fund	Lumberjack Fund
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
463,329	9,057	8,484	748
-	-	-	-
-	-	-	-
-	-	-	-
463,329	9,057	8,484	748
-	-	-	-
-	-	-	-
-	9,477	-	-
808,220	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
808,220	9,477	-	-
(344,891)	(420)	8,484	748
-	-	-	-
57,209	-	-	-
57,209	-	-	-
(287,682)	(420)	8,484	748
18,262,043	320,359	304,396	26,731
\$ 17,974,361	\$ 319,939	\$ 312,880	\$ 27,479

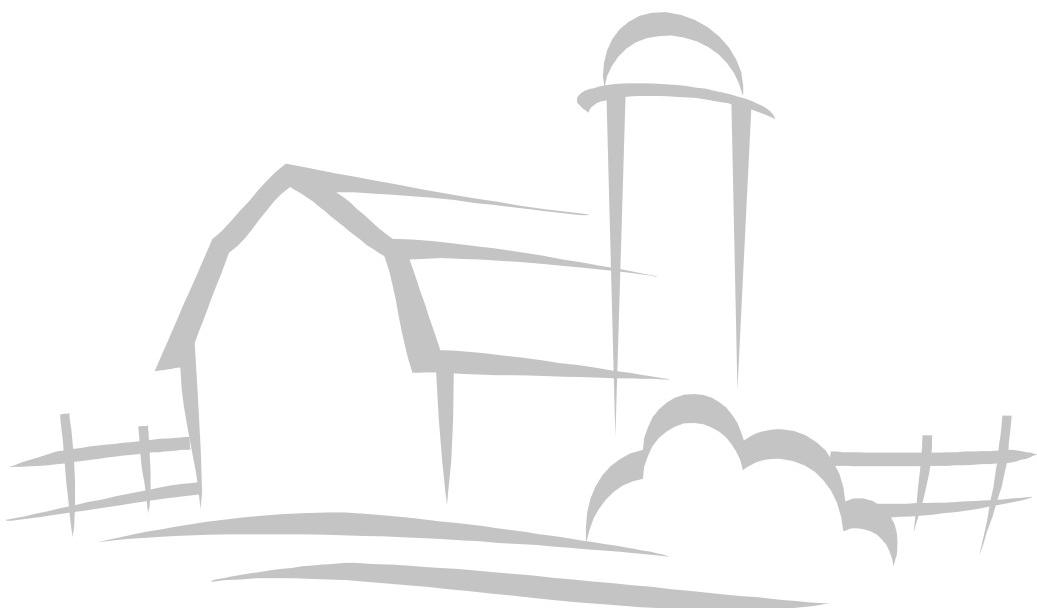
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STATE OF VERMONT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES, Continued
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Permanent Funds		
	Couching Lion Farm Cemetery Fund	Carrie P. Underwood Fund	Laura H. Morgan Fund
REVENUES:			
Taxes:			
Motor fuel tax.....	\$ -	\$ -	\$ -
Earnings of departments:			
Fees.....	- -	- -	- -
Rents and leases.....	- -	- -	- -
Federal grants.....	- -	- -	- -
Fines, forfeits and penalties.....	- -	- -	- -
Investment income.....	617	555	112
Licenses:			
Business.....	- -	- -	- -
Non-business.....	- -	- -	- -
Other revenues.....	- -	- -	- -
Total revenues.....	617	555	112
EXPENDITURES:			
General government.....	- -	- -	- -
Protection to persons and property.....	- -	- -	- -
Human services.....	- -	- -	- -
General education.....	- -	- -	- -
Natural resources.....	- -	- -	- -
Commerce and community development.....	- -	- -	- -
Transportation.....	- -	- -	- -
Total expenditures.....	- -	- -	- -
Excess of revenues over (under) expenditures.....	617	555	112
Other Financing Sources (Uses):			
Proceeds from the sale of bonds.....	- -	- -	- -
Transfers in.....	- -	- -	- -
Transfers out.....	- -	- -	- -
Total other financing sources (uses).....	- -	- -	- -
Net change in fund balances.....	617	555	112
Fund balances, July 1	21,964	19,915	3,980
Fund balances, June 30 (deficit).....	\$ 22,581	\$ 20,470	\$ 4,092

Permanent Funds			
Bennington		Total Non-major Governmental Funds	
Battle Monument Fund	Zenus H. Ellis Fund		
\$ -	\$ -	\$ 972,009	
-	-	183,920	
-	-	47,283	
-	-	6,887,374	
-	-	21,509	
50	47	650,427	
-	-	1,310	
-	-	6,165,998	
-	-	798,024	
50	47	15,727,854	
-	-	8,565,536	
-	-	3,167,257	
-	-	2,580,687	
-	-	14,777,124	
-	-	22,886,066	
-	-	1,835,984	
-	-	101,893	
-	-	53,914,547	
50	47	(38,186,693)	
-	-	46,000,000	
-	-	479,754	
-	-	(2,785,955)	
-	-	43,693,799	
50	47	5,507,106	
1,916	1,793	55,172,388	
\$ 1,966	\$ 1,840	\$ 60,679,494	

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Vermont

Industrial Homework Office Fund – This fund is used to account for a program that arranges industrial work for blind and otherwise handicapped citizens at their home of a subcontract nature.

Federal Surplus Property Fund – This fund is used to account for a program that acquires and distributes surplus property from various military and federal sources. Public entities (towns, schools, districts, volunteer fire departments, etc) and non-profit organizations conducting educational and health care programs may apply for eligibility.

Vermont Life Magazine Fund – This fund is used to account for the activities of the Vermont Life Magazine. *Vermont Life* is a quarterly magazine published by the State of Vermont. It explores and celebrates the state's people, places and rich heritage.

Municipal Equipment Loan Fund – This fund is used to account for a program that was created for the purpose of providing loans on favorable terms to municipalities for the purchase of construction, fire, emergency or heavy equipment or vehicles.

Unemployment Compensation Contingency Fund – This fund is used to account for the interest, fines and penalties collected under the unemployment compensation law as well as the administrative costs not chargeable to federal grants.

STATE OF VERMONT
COMBINING STATEMENT OF NET ASSETS
NON-MAJOR ENTERPRISE FUNDS
JUNE 30, 2008

	Industrial Homework Office Fund	Federal Surplus Property Fund	Vermont Life Magazine Fund
ASSETS			
Current Assets:			
Cash and cash equivalents.....	\$ 56,678	\$ -	\$ -
Accrued interest receivable.....	-	-	-
Accounts receivable (net of allowance for uncollectibles)...	24,764	5,032	226,366
Loans receivable.....	-	-	-
Due from other funds.....	-	18,000	1,715
Inventories, at cost.....	-	177,219	176,589
Prepaid expenses.....	-	-	133,266
Total current assets.....	81,442	200,251	537,936
Restricted and Noncurrent Assets:			
Cash - subscription reserve fund.....	-	-	607,989
Loans receivable.....	-	-	-
Accounts receivable - subscriptions.....	-	-	38,040
Imprest cash and change fund - advances.....	1,700	-	1,200
Capital Assets:			
Machinery, equipment and buildings.....	-	10,000	11,640
Less accumulated depreciation.....	-	(10,000)	(10,231)
Total capital assets, net of depreciation.....	0	0	1,409
Total restricted & noncurrent assets.....	1,700	0	648,638
Total assets.....	83,142	200,251	1,186,574
LIABILITIES			
Current Liabilities:			
Accounts payable.....	-	4,709	146,475
Accrued salaries and benefits.....	4,361	10,784	103,716
Interfund payable.....	-	722,609	714,140
Deferred revenue.....	-	177,219	50,381
Total current liabilities.....	4,361	915,321	1,014,712
Liabilities Payable From Restricted Assets:			
Unexpired subscriptions.....	-	-	607,989
Advances from other funds.....	1,700	-	1,200
Total liabilities payable from restricted assets.....	1,700	0	609,189
Total liabilities.....	6,061	915,321	1,623,901
NET ASSETS			
Invested in Capital Assets.....	-	-	1,409
Unrestricted (deficit).....	77,081	(715,070)	(438,736)
Total Net Assets (deficit).....	\$ 77,081	\$ (715,070)	\$ (437,327)

See Independent Auditors' Report.

Municipal Equipment Loan Fund	Unemployment Compensation Contingency Fund	Total Non-major Enterprise Funds
\$ 173,535	\$ 177,738	\$ 407,951
39,307	-	39,307
-	15,884	272,046
1,009,470	-	1,009,470
-	41,504	61,219
-	-	353,808
-	-	133,266
1,222,312	235,126	2,277,067
-	-	607,989
1,748,600	-	1,748,600
-	-	38,040
-	-	2,900
-	-	21,640
-	-	(20,231)
0	0	1,409
1,748,600	0	2,398,938
2,970,912	235,126	4,676,005
-	-	151,184
-	-	118,861
-	-	1,436,749
-	-	227,600
0	0	1,934,394
-	-	607,989
-	-	2,900
0	0	610,889
0	0	2,545,283
-	-	1,409
2,970,912	235,126	2,129,313
\$ 2,970,912	\$ 235,126	\$ 2,130,722

STATE OF VERMONT
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
NON-MAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Industrial Homework Office Fund	Federal Surplus Property Fund	Vermont Life Magazine Fund
Operating Revenues			
Charges for sales and services.....	\$ 161,629	\$ 65,042	\$ 1,404,792
Advertising revenue.....	-	-	614,582
Federal donated property.....	-	608,726	-
Other operating revenues.....	-	-	93,998
Total operating revenues.....	161,629	673,768	2,113,372
Operating Expenses			
Cost of sales and services.....	-	609,402	549,640
Salaries and benefits.....	158,558	66,694	720,547
Transportation.....	-	-	55,848
Contractual Services.....	-	16	-
Repairs and maintenance.....	-	1,183	-
Depreciation.....	-	-	1,780
Rental expense.....	-	37,066	-
Utilities and property management.....	-	10,341	-
Non-capital equipment purchased.....	-	32	-
Promotions and advertising.....	-	-	404,010
Administrative expenses.....	-	30,663	162,623
Insurance premium expense.....	-	-	-
Supplies and parts.....	-	1,155	20,499
Distribution and postage.....	-	-	225,062
Travel.....	-	2,982	9,972
Loss on bad debts.....	-	-	4,350
Other operating expenses.....	-	-	40,623
Total operating expenses.....	158,558	759,534	2,194,954
Operating income (loss).....	3,071	(85,766)	(81,582)
Non-Operating Revenues (Expenses)			
Investment income.....	-	-	(3,417)
Total non-operating revenues (expenses).....	0	0	(3,417)
Income (loss) before transfers.....	3,071	(85,766)	(84,999)
Transfers			
Transfer in.....	-	-	-
Transfer out.....	-	-	(1,290)
Total transfers in.....	0	0	(1,290)
Changes in net assets.....	3,071	(85,766)	(86,289)
Total net assets July 1	74,010	(629,304)	(351,038)
Total net assets June 30.....	\$ 77,081	\$ (715,070)	\$ (437,327)

See Independent Auditors' Report.

Municipal Equipment Loan Fund	Unemployment Compensation Contingency Fund	Total Non-major Enterprise Funds
\$ -	\$ -	\$ 1,631,463
-	-	614,582
-	-	608,726
78,497	-	172,495
78,497	0	3,027,266
-	-	1,159,042
-	-	945,799
-	-	55,848
-	-	16
-	-	1,183
-	-	1,780
-	-	37,066
-	-	10,341
-	-	32
-	-	404,010
-	22,000	215,286
-	-	0
-	-	21,654
-	-	225,062
-	-	12,954
-	-	4,350
-	-	40,623
0	22,000	3,135,046
78,497	(22,000)	(107,780)
7,609	6,815	11,007
7,609	6,815	11,007
86,106	(15,185)	(96,773)
-	402,382	402,382
-	(344,418)	(345,708)
0	57,964	56,674
86,106	42,779	(40,099)
2,884,806	192,347	2,170,821
\$ 2,970,912	\$ 235,126	\$ 2,130,722

**STATE OF VERMONT
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Industrial Homework Office Fund	Federal Surplus Property Fund	Vermont Life Magazine Fund
Cash Flows from Operating Activities:			
Cash received from customers.....	\$ 160,375	\$ 66,235	\$ 2,022,359
Cash paid to suppliers for goods and services.....	-	(88,025)	(1,581,359)
Cash paid to employees for services.....	(163,145)	(64,993)	(696,701)
Other operating revenues (expenses).....	-	-	93,997
Net cash provided (used) by operating activities.....	(2,770)	(86,783)	(161,704)
Cash Flows from Noncapital Financing Activities:			
Operating/equity transfers.....	-	-	(1,290)
Interfund loans.....	-	86,783	146,573
Net cash (used) by noncapital financing activities.....	-	86,783	145,283
Cash Flows from Investing Activities:			
Interest earned on investments.....	-	-	(3,417)
Interest & penalties received (paid).....	-	-	-
Excess cash transferred.....	-	-	-
Net cash provided (used) by investing activities.....	-	-	(3,417)
Net increase (Decrease) in cash and cash equivalents.....	(2,770)	-	(19,838)
Cash and cash equivalents at July 1.....	61,148	-	629,027
Cash and cash equivalents at June 30 (see note below)....	\$ 58,378	\$ 0	\$ 609,189
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss).....	\$ 3,071	\$ (85,766)	\$ (81,582)
Adjustments to reconcile operating income to Net cash provided (used) by operating activities:			
Depreciation.....	-	-	1,780
(Increase) decrease in accounts/taxes receivable.....	(1,254)	19,193	9,840
(Increase) decrease in loans receivable.....	-	-	-
(Increase) decrease in accrued interest receivable.....	-	-	-
(Increase) decrease in due from other funds.....	-	(18,000)	-
(Increase) decrease in inventories.....	-	129,372	(83,640)
(Increase) decrease in prepaid expenses.....	-	-	(25,967)
Increase (decrease) in accounts payable.....	-	(3,911)	(3,476)
Increase (decrease) in accrued salaries and benefits.....	(4,587)	1,701	23,846
Increase (decrease) in deferred revenue.....	-	(129,372)	17,333
Increase (decrease) in subscription reserves.....	-	-	(19,838)
Total adjustments.....	(5,841)	(1,017)	(80,122)
Net cash provided (used) by operating activities.....	\$ (2,770)	\$ (86,783)	\$ (161,704)

NOTE: Total cash/cash equivalents at June 30 on the cash flow statement is equal to cash/cash equivalents, cash-subscription reserve fund, and imprest cash on the Statement of Net Assets.

See Independent Auditors' Report.

Municipal Equipment Loan Fund	Unemployment Compensation Contingency Fund	Total Non-major Enterprise Funds
\$ 1,109,482	\$ -	\$ 3,358,451
(1,577,623)	-	(3,247,007)
-	-	(924,839)
-	(37,884)	56,113
<u>(468,141)</u>	<u>(37,884)</u>	<u>(757,282)</u>
-	-	(1,290)
-	-	233,356
<u>-</u>	<u>-</u>	<u>232,066</u>
7,609	6,816	11,008
-	392,309	392,309
-	(344,418)	(344,418)
<u>7,609</u>	<u>54,707</u>	<u>58,899</u>
(460,532)	16,823	(466,317)
634,067	160,915	1,485,157
<u>\$ 173,535</u>	<u>\$ 177,738</u>	<u>\$ 1,018,840</u>
<u>\$ 78,497</u>	<u>\$ (22,000)</u>	<u>\$ (107,780)</u>
-	-	1,780
-	(15,884)	11,895
(522,006)	-	(522,006)
(24,632)	-	(24,632)
-	-	(18,000)
-	-	45,732
-	-	(25,967)
-	-	(7,387)
-	-	20,960
-	-	(112,039)
-	-	(19,838)
<u>(546,638)</u>	<u>(15,884)</u>	<u>(649,502)</u>
<u>\$ (468,141)</u>	<u>\$ (37,884)</u>	<u>\$ (757,282)</u>

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Vermont

Highway Garage Fund – This fund accounts for the maintenance and rental of equipment to the Agency of Transportation for use in construction, maintenance and operation of the State's transportation infrastructure.

Offender Work Programs – This fund accounts for the activities of the print shop, sign shop and furniture shop run by the Department of Corrections.

Single Audit Revolving Fund – The purpose of this fund is to account for the costs attributable to the Auditor of Accounts Office's performance of the annual Single Audit .

Financial & HR Information Fund – The activities of this fund account for the costs of the support of the State's financial and human capital management ERP systems.

Communications & Information Technology – This fund accounts for the activities of the Department of Information and Innovation's communications and information technology services.

Fleet Fund – This fund accounts for the Department of Buildings and General Services' vehicle management activities including the daily and long-term leasing of vehicles for employees use in travel on State business.

E-Procurement Fund - The purpose of the Purchasing Card Program is to establish a more efficient, cost-effective method of purchasing and paying for small dollar transactions and high-volume, repetitive purchases.

Copy Center Fund – This fund's activities include the Department of Buildings and General Services Print Shop and copier leasing services.

Postage Fund – This fund accounts for the mail services for the Montpelier and Waterbury state complexes including mail collection and delivery, sorting, and applying postage.

Facilities Operations Fund – This fund's purpose is to provide operating expenses, maintenance, renovations and acquisitions of buildings, grounds and support facilities.

Property Management Fund – This fund's purpose is to provide State Agencies with safe, comfortable, and efficient space through leasing; purchasing; and planning which enables them to carry out their mission.

Equipment Revolving Fund – This fund is used as an internal lease purchase mechanism of equipment for State agencies and departments.

State Resource Management Fund – This fund accounts for the costs of energy resource conservation measures implemented by departments anticipated to generate a life cycle cost benefit to the state.

State Surplus Property Fund – This fund accounts for the sale of all items that are no longer needed by the State's agencies and departments.

State Liability Insurance Fund – This fund provides liability insurance coverage for the actions performed by the State's employees in the course of performing their assigned duties.

Risk Management-All Other Fund – This fund is used to purchase insurance protection for state property and other miscellaneous risks that are specific to certain departments or types of employees, such as judicial liability, liability related to maintenance of railroad tracks, and required bonds for certain state officials.

Workers' Compensation Fund – This fund provides workers' compensation coverage for all state employees.

Medical Insurance Fund – This fund provides health coverage for current state employees, retirees, legislators and other groups eligible to participate.

Dental Insurance Fund – This fund provides dental coverage for current state employees, legislators and other groups eligible to participate.

Life Insurance Fund – This fund provides a life insurance policy for current state employees, retirees and other groups eligible to participate.

Long-term Disability Fund – This fund provides an income replacement benefit for state employees that are not eligible to be represented by the employees' union should they have a long term or permanent disability.

Employees' Assistance Fund – This fund provides a program that assists state employees and members of their immediate household assistance in addressing problems that impact their lives.

STATE OF VERMONT
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2008

	Highway Garage Fund	Offender Work Programs	Single Audit Revolving Fund
ASSETS			
Current assets:			
Cash and cash equivalents.....	\$ -	\$ -	\$ 94,669
Accounts receivable.....	68,528	322,471	170,059
Interest receivable.....	-	-	-
Due from other funds.....	16,067	-	-
Inventories, at cost.....	1,699,979	550,577	-
Prepaid expenses.....	4,775	-	-
Total current assets.....	1,789,349	873,048	264,728
Restricted and Other Assets:			
Imprest fund-advances from state treasurer.....	-	15,100	-
Total restricted and other assets.....	-	15,100	-
Capital Assets:			
Land.....	26,156	-	-
Construction in progress.....	3,603,541	-	-
Capital assets being depreciated:			
Machinery, equipment and buildings.....	45,740,822	1,519,725	-
Less accumulated depreciation.....	(26,509,255)	(955,766)	-
Total capital assets, net of depreciation.....	22,861,264	563,959	-
Total assets.....	24,650,613	1,452,107	264,728
LIABILITIES			
Current Liabilities:			
Accounts payable.....	1,932,475	61,733	-
Accrued salaries and benefits.....	279,184	166,764	-
Claims payable.....	-	-	-
Due to other funds.....	-	-	180,000
Interfund payable.....	2,091,346	449,121	-
Deferred revenue.....	-	8,213	-
Total current liabilities.....	4,303,005	685,831	180,000
Liabilities Payable from Restricted Assets:			
Advances from other funds.....	-	15,100	-
Total liabilities.....	4,303,005	700,931	180,000
NET ASSETS			
Invested in capital assets.....	22,861,264	563,959	-
Unrestricted (deficit).....	(2,513,656)	187,217	84,728
Total net assets.....	\$ 20,347,608	\$ 751,176	\$ 84,728

See Independent Auditors' Report.

Communications			
Financial & HR Information Fund	& Information Technology	Fleet Fund	E-Procurement Fund
\$ 1,314,476	\$ -	\$ -	\$ -
-	1,116,816	409,062	714,743
-	-	-	-
5,860	-	171,778	-
-	-	-	-
-	495,398	-	-
1,320,336	1,612,214	580,840	714,743
-	-	-	-
-	-	-	-
31,140	4,633,609	9,337,905	-
(7,007)	(2,855,463)	(3,930,721)	-
24,133	1,778,146	5,407,184	-
1,344,469	3,390,360	5,988,024	714,743
232,757	489,127	149,938	367,350
525,551	505,077	-	-
-	-	-	-
-	-	-	-
-	2,382,387	5,810,793	347,393
-	28,214	35,534	-
758,308	3,404,805	5,996,265	714,743
758,308	3,404,805	5,996,265	714,743
24,133	1,778,146	5,407,184	-
562,028	(1,792,591)	(5,415,425)	-
\$ 586,161	\$ (14,445)	\$ (8,241)	\$ -

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STATE OF VERMONT
COMBINING STATEMENT OF NET ASSETS, Continued
INTERNAL SERVICE FUNDS
June 30, 2008

	Copy Center Fund	Postage Fund	Facilities Operations Fund
ASSETS			
Current assets:			
Cash and cash equivalents.....	\$ -	\$ -	\$ -
Accounts receivable.....	266,949	381,094	869,371
Interest receivable.....	-	-	-
Due from other funds.....	-	-	104,514
Inventories, at cost.....	-	410,300	-
Prepaid expenses.....	209	1,605	-
Total current assets.....	267,158	792,999	973,885
Restricted and Other Assets:			
Imprest fund-advances from state treasurer.....	-	-	-
Total restricted and other assets.....	-	-	-
Capital Assets:			
Land.....	-	-	-
Construction in progress.....	-	-	-
Capital assets being depreciated:			
Machinery, equipment and buildings.....	2,839,043	471,378	1,565,008
Less accumulated depreciation.....	(2,102,006)	(453,396)	(904,318)
Total capital assets, net of depreciation.....	737,037	17,982	660,690
Total assets.....	1,004,195	810,981	1,634,575
LIABILITIES			
Current Liabilities:			
Accounts payable.....	9,818	4,586	708,479
Accrued salaries and benefits.....	-	63,122	1,536,110
Claims payable.....	-	-	-
Due to other funds.....	-	-	58,180
Interfund payable.....	2,340,242	1,723,759	2,198,496
Deferred revenue.....	57,818	-	-
Total current liabilities.....	2,407,878	1,791,467	4,501,265
Liabilities Payable from Restricted Assets:			
Advances from other funds.....	-	-	-
Total liabilities.....	2,407,878	1,791,467	4,501,265
NET ASSETS			
Invested in capital assets.....	737,037	17,982	660,690
Unrestricted (deficit).....	(2,140,720)	(998,468)	(3,527,380)
Total net assets.....	\$ (1,403,683)	\$ (980,486)	\$ (2,866,690)

Property Management Fund	Equipment Revolving Fund	State Resource Management Fund	State Surplus Property Fund	State Liability Insurance Fund
\$ -	\$ -	\$ -	\$ 46,414	\$ 11,381,665
138,473	2,008,736	142,226	53,724	-
-	-	-	-	-
67,947	-	-	-	-
-	-	-	11,915	-
733,538	-	-	-	-
939,958	2,008,736	142,226	112,053	11,381,665
-	-	-	-	-
-	-	-	-	-
26,287	-	-	13,577	-
(23,858)	-	-	(13,577)	-
2,429	-	-	-	-
942,387	2,008,736	142,226	112,053	11,381,665
91,509	26,629	-	4,181	16,829
145,336	-	-	9,722	-
-	-	-	-	5,776,852
-	-	108	21,742	2,867,883
15,825,684	1,982,107	142,118	-	-
-	-	-	11,915	-
16,062,529	2,008,736	142,226	47,560	8,661,564
-	-	-	-	-
16,062,529	2,008,736	142,226	47,560	8,661,564
2,429	-	-	-	-
(15,122,571)	-	-	64,493	2,720,101
\$ (15,120,142)	\$ -	\$ -	\$ 64,493	\$ 2,720,101

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STATE OF VERMONT
COMBINING STATEMENT OF NET ASSETS, Continued
INTERNAL SERVICE FUNDS
June 30, 2008

	Risk Management - All Other Fund	Workers' Compensation Fund	Medical Insurance Fund
ASSETS			
Current assets:			
Cash and cash equivalents.....	\$ -	\$ 16,661,528	\$ 18,100,148
Accounts receivable.....	284,902	-	3,664,574
Interest receivable.....	-	15,827	24,053
Due from other funds.....	444	36,393	1,902
Inventories, at cost.....	-	-	-
Prepaid expenses.....	-	-	-
Total current assets.....	285,346	16,713,748	21,790,677
Restricted and Other Assets:			
Imprest fund-advances from state treasurer.....	-	-	-
Total restricted and other assets.....	-	-	-
Capital Assets:			
Land.....	-	-	-
Construction in progress.....	-	-	-
Capital assets being depreciated:			
Machinery, equipment and buildings.....	-	-	-
Less accumulated depreciation.....	-	-	-
Total capital assets, net of depreciation.....	-	-	-
Total assets.....	285,346	16,713,748	21,790,677
LIABILITIES			
Current Liabilities:			
Accounts payable.....	32,395	51,325	913,064
Accrued salaries and benefits.....	-	143,617	111,092
Claims payable.....	-	18,621,901	11,178,441
Due to other funds.....	6,493	-	-
Interfund payable.....	656,644	-	-
Deferred revenue.....	-	-	-
Total current liabilities.....	695,532	18,816,843	12,202,597
Liabilities Payable from Restricted Assets:			
Advances from other funds.....	-	-	-
Total liabilities.....	695,532	18,816,843	12,202,597
NET ASSETS			
Invested in capital assets.....	-	-	-
Unrestricted (deficit).....	(410,186)	(2,103,095)	9,588,080
Total net assets.....	\$ (410,186)	\$ (2,103,095)	\$ 9,588,080

Dental Insurance Fund	Life Insurance Fund	Long-Term Disability Fund	Employees' Assistance Fund	Eliminations	Total Internal Service Funds
\$ 641,283	\$ 309,744	\$ 49,835	\$ 74,626	\$ -	\$ 48,674,388
221,556	77,893	8,508	10,179	-	10,929,864
-	-	-	-	-	39,880
35	14	-	-	(404,954)	-
-	-	-	-	-	2,672,771
-	-	-	-	-	1,235,525
862,874	387,651	58,343	84,805	(404,954)	63,552,428
-	-	-	-	-	15,100
-	-	-	-	-	15,100
-	-	-	-	-	26,156
-	-	-	-	-	3,603,541
-	-	-	-	-	66,178,494
-	-	-	-	-	(37,755,367)
862,874	387,651	58,343	84,805	(404,954)	95,620,352
27,662	105,745	17,578	65,134	-	5,308,314
2,424	970	-	-	-	3,488,969
255,102	-	-	-	-	35,832,296
-	-	-	-	(404,954)	2,729,452
-	-	-	-	-	35,950,090
-	-	-	-	-	141,694
285,188	106,715	17,578	65,134	(404,954)	83,450,815
285,188	106,715	17,578	65,134	(404,954)	83,465,915
-	-	-	-	-	32,052,824
577,686	280,936	40,765	19,671	-	(19,898,387)
\$ 577,686	\$ 280,936	\$ 40,765	\$ 19,671	\$ -	\$ 12,154,437

STATE OF VERMONT
COMBINING STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Highway Garage Fund	Offender Work Programs	Single Audit Revolving Fund
Operating Revenues:			
Charges for sales and services.....	\$ 13,050,677	\$ 2,224,968	\$ 2,715,497
Rental income.....	279,190	-	-
Other operating revenues.....	63,187	9,094	-
Total operating revenues.....	13,393,054	2,234,062	2,715,497
Operating Expenses:			
Cost of sales and services.....	-	710,712	-
Claims expense.....	-	9,102	-
Salaries and benefits.....	3,147,082	1,114,066	773,775
Insurance premium expense.....	1,734	1,500	65
Contractual services.....	14,015	11,275	1,708,037
Repairs and maintenance.....	714,049	47,313	-
Depreciation.....	4,680,772	85,710	-
Rental expense.....	17,823	107,755	9,617
Utilities and property management.....	150,780	99,143	16,027
Non-capital equipment purchased.....	116,270	20,034	945
Administrative expenses.....	10,922	122,651	5,446
Supplies and parts.....	5,973,568	159,411	7,209
Travel expenses.....	2,363	18,615	2,164
Other operating expenses.....	-	-	-
Total operating expenses.....	14,829,378	2,507,287	2,523,285
Operating Income(Loss).....	(1,436,324)	(273,225)	192,212
Non-Operating Revenues (Expenses):			
Gain (loss) on disposal of capital assets.....	213,068	-	-
Investment income (expense).....	-	(80)	-
Total non-operating revenues (expenses).....	213,068	(80)	-
Income (loss) before contributions and transfers.....			
Capital contributions from (to) other funds.....	(1,223,256)	(273,305)	192,212
Transfers in.....	(5,820)	-	-
Transfers out.....	1,120,000	-	-
Change in net assets.....	(1,329,076)	(273,305)	192,212
Total Net Assets, July 1.....	21,676,684	1,024,481	(107,484)
Total Net Assets, June 30.....	\$ 20,347,608	\$ 751,176	\$ 84,728

See Independent Auditors' Report.

Communications & Information Technology			
Financial & HR Information Fund	Fleet Fund	E-Procurement Fund	
\$ 5,302,553	\$ 3,530,093	\$ 4,600,207	
-	-	-	
57,264	125	-	
5,359,817	3,530,093	4,600,207	
-	5,678,563	2,700	4,600,207
-	-	-	-
3,376,220	4,482,542	415,555	-
926	9,986	-	-
188,734	700,083	24,016	-
142,535	370,936	513,462	-
5,709	838,580	1,288,092	-
182,675	426,454	16,636	-
388,225	87,051	22,328	-
909,819	1,550,689	5,986	-
42,931	74,723	85,755	-
21,826	89,127	1,052,867	-
8,189	54,953	2,196	-
-	570,250	-	-
5,267,789	3,429,593	4,600,207	
92,028	(696,201)	100,500	-
-	(13,027)	(15,189)	-
-	-	-	-
-	(13,027)	(15,189)	-
92,028	(709,228)	85,311	-
-	-	15,500	-
-	450,000	-	-
-	-	(48,129)	-
92,028	(259,228)	52,682	-
494,133	244,783	(60,923)	-
\$ 586,161	\$ (14,445)	\$ (8,241)	-

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STATE OF VERMONT
COMBINING STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET ASSETS, Continued
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Copy Center Fund	Postage Fund	Facilities Operations Fund
Operating Revenues:			
Charges for sales and services.....	\$ 2,175,473	\$ 3,201,090	\$ 23,773,615
Rental income.....	-	-	-
Other operating revenues.....	-	-	2,024,215
Total operating revenues.....	2,175,473	3,201,090	25,797,830
Operating Expenses:			
Cost of sales and services.....	247,381	2,504,771	-
Claims expense.....	-	-	-
Salaries and benefits.....	548,432	582,973	12,173,308
Insurance premium expense.....	-	-	332,490
Contractual services.....	5,110	25	92,952
Repairs and maintenance.....	193,431	(67,362)	1,272,132
Depreciation.....	714,675	12,481	107,791
Rental expense.....	384,267	50,790	903,349
Utilities and property management.....	23,384	23,363	8,942,451
Non-capital equipment purchased.....	143,934	18,387	283,214
Administrative expenses.....	192,841	86,169	979,847
Supplies and parts.....	3,848	12,165	2,044,900
Travel expenses.....	1,202	254	109,283
Other operating expenses.....	-	-	-
Total operating expenses.....	2,458,505	3,224,016	27,241,717
Operating Income(Loss).....	(283,032)	(22,926)	(1,443,887)
Non-Operating Revenues (Expenses):			
Gain (loss) on disposal of capital assets.....	(158,869)	-	(13,956)
Investment income (expense).....	-	-	-
Total non-operating revenues (expenses).....	(158,869)	-	(13,956)
Income (loss) before contributions and transfers.....			
	(441,901)	(22,926)	(1,457,843)
Capital contributions from (to) other funds.....	-	-	(2,740)
Transfers in.....	1,050,000	150,000	300,000
Transfers out.....	-	-	-
Change in net assets.....	608,099	127,074	(1,160,583)
Total Net Assets, July 1.....	(2,011,782)	(1,107,560)	(1,706,107)
Total Net Assets, June 30.....	\$ (1,403,683)	\$ (980,486)	\$ (2,866,690)

Property Management Fund	Equipment Revolving Fund	State Resource Management Fund	State Surplus Property Fund	State Liability Insurance Fund
\$ -	\$ 176,899	\$ 108	\$ 1,202,697	\$ -
12,196,553	-	-	-	-
262,464	-	-	194,674	-
12,459,017	176,899	108	1,397,371	-
9,257,737	-	-	1,210,346	489,500
-	-	-	-	2,587,585
1,110,452	-	-	63,172	320,532
59,457	-	-	-	-
82,621	-	-	29,985	564,011
50,357	-	-	941	269
822	-	-	-	-
14,632	-	-	41,697	17,293
1,437,581	-	-	16,278	12,316
8,426	176,408	-	340	49,375
314,902	491	108	29,309	103,792
132,176	-	-	1,848	2,195
17,827	-	-	199	1,425
-	-	-	-	-
12,486,990	176,899	108	1,394,115	4,148,293
(27,973)	-	-	3,256	(4,148,293)
-	-	-	-	-
59	-	-	-	328,845
59	-	-	-	328,845
(27,914)	-	-	3,256	(3,819,448)
-	-	-	-	-
-	-	-	-	-
(2,495,850)	-	-	-	-
(2,523,764)	-	-	3,256	(3,819,448)
(12,596,378)	-	-	61,237	6,539,549
\$ (15,120,142)	\$ -	\$ -	\$ 64,493	\$ 2,720,101

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STATE OF VERMONT
COMBINING STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET ASSETS, Continued
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Risk Management - All Other Fund	Workers' Compensation Fund	Medical Insurance Fund
Operating Revenues:			
Charges for sales and services.....	\$ 2,132,834	\$ 8,554,886	\$ 111,358,913
Rental income.....	-	-	-
Other operating revenues.....	-	-	81,474
Total operating revenues.....	2,132,834	8,554,886	111,440,387
Operating Expenses:			
Cost of sales and services.....	2,046,982	-	27
Claims expense.....	-	6,291,342	97,858,788
Salaries and benefits.....	37,174	1,051,422	1,018,172
Insurance premium expense.....	-	-	3,612,502
Contractual services.....	36,554	399,105	188,821
Repairs and maintenance.....	45	584	658
Depreciation.....	-	-	-
Rental expense.....	2,888	38,722	39,090
Utilities and property management.....	5,130	49,448	19,497
Non-capital equipment purchased.....	8,019	104,738	63,063
Administrative expenses.....	17,454	231,429	6,198,807
Supplies and parts.....	425	6,907	54,349
Travel expenses.....	152	3,431	27,663
Other operating expenses.....	-	-	-
Total operating expenses.....	2,154,823	8,177,128	109,081,437
Operating Income(Loss).....	(21,989)	377,758	2,358,950
Non-Operating Revenues (Expenses):			
Gain (loss) on disposal of capital assets.....	-	-	-
Investment income (expense).....	-	532,638	542,018
Total non-operating revenues (expenses).....	-	532,638	542,018
Income (loss) before contributions and transfers.....			
	(21,989)	910,396	2,900,968
Capital contributions from (to) other funds.....	-	-	-
Transfers in.....	-	-	-
Transfers out.....	-	-	-
Change in net assets.....	(21,989)	910,396	2,900,968
Total Net Assets, July 1.....	(388,197)	(3,013,491)	6,687,112
Total Net Assets, June 30.....	\$ (410,186)	\$ (2,103,095)	\$ 9,588,080

Dental Insurance Fund	Life Insurance Fund	Long-Term Disability Fund	Employees' Assistance Fund	Total Internal Service Funds
\$ 4,879,566	\$ 1,798,882	\$ 216,264	\$ 259,415	\$ 205,392,248
-	-	-	-	12,475,743
50	153	-	-	2,692,700
4,879,616	1,799,035	216,264	259,415	220,560,691
				26,748,926
5,206,269	-	-	-	111,953,086
30,033	11,896	-	-	30,256,806
2	1,692,438	201,322	256,442	6,168,864
29,821	17,209	-	-	4,092,374
4	2	-	-	3,239,356
-	-	-	-	7,734,632
689	276	-	-	2,254,653
645	258	-	-	11,293,905
1,151	61	-	-	3,460,859
324,853	225	-	-	8,822,655
128	51	-	-	9,563,000
42	19	-	-	249,977
-	-	-	-	570,250
5,593,637	1,722,435	201,322	256,442	226,409,343
(714,021)	76,600	14,942	2,973	(5,848,652)
				12,027
40,857	10,818	-	-	1,455,155
40,857	10,818	-	-	1,467,182
(673,164)	87,418	14,942	2,973	(4,381,470)
-	-	-	-	6,940
-	-	-	-	3,070,000
-	-	-	-	(3,763,979)
(673,164)	87,418	14,942	2,973	(5,068,509)
1,250,850	193,518	25,823	16,698	17,222,946
\$ 577,686	\$ 280,936	\$ 40,765	\$ 19,671	\$ 12,154,437

STATE OF VERMONT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Highway Garage Fund	Offender Work Programs	Single Audit
Cash Flows From Operating Activities:			Revolving Fund
Cash received from customers.....	\$ 13,254,720	\$ 2,129,647	\$ 2,688,473
Cash paid to suppliers for goods and services.....	(6,177,852)	(1,238,940)	(1,875,920)
Cash paid to employees for services.....	(3,119,278)	(1,119,607)	(773,775)
Cash paid to claimants.....	-	(9,102)	-
Other operating revenues.....	63,187	9,094	-
Other operating expenses.....	-	-	-
Net cash provided (used) by operating activities.....	4,020,777	(228,908)	38,778
Cash Flows From Noncapital Financing Activities:			
Operating transfers.....	(100,000)	-	-
Interfund loans.....	311,164	302,663	-
Net cash provided (used) by noncapital financing activities.....	211,164	302,663	-
Cash Flows From Capital and Related Financing Activities:			
Acquisition and construction of capital assets.....	(4,713,884)	(73,675)	-
Proceeds from sale of capital assets.....	481,943	-	-
Net cash provided (used) by capital and related financing activities.....	(4,231,941)	(73,675)	-
Cash Flows From Investing Activities:			
Interest earned (loss) on investments.....	-	(80)	-
Net cash provided (used) by investing activities.....	-	(80)	-
Net increase (decrease) in cash and cash equivalents.....	-	-	38,778
Cash and cash equivalents at July 1.....	-	15,100	55,891
Cash and cash equivalents at June 30.....	\$ -	\$ 15,100	\$ 94,669
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss).....	\$ (1,436,324)	\$ (273,225)	\$ 192,212
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation.....	4,680,772	85,710	-
(Increase)decrease in accounts receivable.....	(59,080)	(95,321)	(27,024)
(Increase)decrease in due from other funds.....	(16,067)	-	-
(Increase)decrease in inventory.....	(242,238)	93,161	-
(Increase)decrease in prepaid expenses.....	2,190	-	-
Increase(decrease) in accounts payable.....	1,063,719	(33,692)	(160,677)
Increase(decrease) in accrued salaries and benefits.....	27,805	(5,541)	-
Increase(decrease) in claims payable.....	-	-	-
Increase(decrease) in due to other funds.....	-	-	34,267
Increase(decrease) in deferred revenue.....	-	-	-
Total adjustments.....	5,457,101	44,317	(153,434)
Net cash provided (used) by operating activities.....	\$ 4,020,777	\$ (228,908)	\$ 38,778

See Independent Auditors' Report.

Communications					
Financial & HR Information Fund	& Information Technology	Fleet Fund	E-Procurement Fund		
\$ 5,316,814 (1,697,553) (3,329,971)	\$ 14,480,458 (9,699,798) (4,407,676)	\$ 3,579,083 (1,659,602) (410,538)	\$ 4,568,705 (4,605,135) -		
- 57,264 -	125 (570,250)	- -	- -		
346,554	(197,141)	1,508,943	(36,430)		
- -	450,000 472,849	(48,129) 215,872	- 36,430		
- -	922,849	167,743	36,430		
- -	(725,708) - -	(1,866,427) 189,741 -	- - -		
- -	(725,708)	(1,676,686)	-		
- -	- -	- -	- -		
346,554	-	-	-		
967,922	-	-	-		
\$ 1,314,476	\$ -	\$ -	\$ -		
\$ 92,028	\$ (696,201)	\$ 100,500	\$ -		
5,709 20,121 (5,860)	838,580 242,847 - - 188,307 46,249	1,288,092 220,768 (171,778) - - (408,687) 74,866	- (47,458) 15,956 - - (4,928) - - -		
- - - - - - - - -	(191,837) - - - - - - - -	- - - - - - - - -	- - - - - - - - -		
254,526	499,060	1,408,443	(36,430)		
\$ 346,554	\$ (197,141)	\$ 1,508,943	\$ (36,430)		

Continued on next page-->

STATE OF VERMONT
COMBINING STATEMENT OF CASH FLOWS, Continued
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Copy Center Fund	Postage Fund	Facilities Operations Fund
Cash Flows From Operating Activities:			
Cash received from customers.....	\$ 2,577,737	\$ 3,195,119	\$ 25,392,463
Cash paid to suppliers for goods and services.....	(1,245,358)	(2,292,245)	(16,267,449)
Cash paid to employees for services.....	(551,663)	(581,169)	(11,989,627)
Cash paid to claimants.....	-	-	-
Other operating revenues.....	-	-	2,024,215
Other operating expenses.....	-	-	-
Net cash provided (used) by operating activities.....	780,716	321,705	(840,398)
Cash Flows From Noncapital Financing Activities:			
Operating transfers.....	1,050,000	150,000	300,000
Interfund loans.....	(1,389,099)	(471,705)	760,659
Net cash provided (used) by noncapital financing activities.....	(339,099)	(321,705)	1,060,659
Cash Flows From Capital and Related Financing Activities:			
Acquisition and construction of capital assets.....	(441,617)	-	(220,261)
Proceeds from sale of capital assets.....	-	-	-
Net cash provided (used) by capital and related financing activities.....	(441,617)	-	(220,261)
Cash Flows From Investing Activities:			
Interest earned (loss) on investments.....	-	-	-
Net cash provided (used) by investing activities.....	-	-	-
Net increase (decrease) in cash and cash equivalents.....	-	-	-
Cash and cash equivalents at July 1.....	-	-	-
Cash and cash equivalents at June 30.....	\$ -	\$ -	\$ -
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss).....	\$ (283,032)	\$ (22,926)	\$ (1,443,887)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation.....	714,675	12,481	107,791
(Increase)decrease in accounts receivable.....	402,264	(5,971)	1,723,362
(Increase)decrease in due from other funds.....	-	-	(104,514)
(Increase)decrease in inventory.....	-	342,047	-
(Increase)decrease in prepaid expenses.....	674	9,649	-
Increase(decrease) in accounts payable.....	(50,634)	(15,379)	(1,344,159)
Increase(decrease) in accrued salaries and benefits.....	(3,231)	1,804	183,681
Increase(decrease) in claims payable.....	-	-	-
Increase(decrease) in due to other funds.....	-	-	37,328
Increase(decrease) in deferred revenue.....	-	-	-
Total adjustments.....	1,063,748	344,631	603,489
Net cash provided (used) by operating activities.....	\$ 780,716	\$ 321,705	\$ (840,398)

Property Management Fund		Equipment Revolving Fund		State Resource Management Fund		State Surplus Property Fund		State Liability Insurance Fund	
\$	13,146,353	\$	977,559	\$	27,046	\$	1,169,246	\$	53,504
(11,516,738)		(163,659)		(842)		(1,323,900)		1,617,589	
(1,135,028)		-		-		(60,901)		(320,532)	
-		-		-		-		(1,563,479)	
262,464		-		-		194,674		-	
-		-		-		-		-	
757,051		813,900		26,204		(20,881)		(212,918)	
(2,495,850)		-		-		-		-	
1,738,740		(813,900)		(26,204)		-		-	
(757,110)		(813,900)		(26,204)		-		-	
-		-		-		-		-	
-		-		-		-		-	
-		-		-		-		-	
59		-		-		-		328,845	
59		-		-		-		328,845	
-		-		-		(20,881)		115,927	
-		-		-		67,295		11,265,738	
\$	-	\$	-	\$	-	\$	46,414	\$	11,381,665
\$	(27,973)	\$	-	\$	-	\$	3,256	\$	(4,148,293)

822	-	-	-	-
1,012,851	800,660	26,938	(33,451)	53,504
(63,051)	-	-	-	-
-	-	-	(9,385)	-
(91,592)	-	-	-	-
(49,430)	13,240	-	(14,699)	10,792
(24,576)	-	-	2,271	-
-	-	-	-	1,024,106
-	-	(734)	21,742	2,846,973
-	-	-	9,385	-
785,024	813,900	26,204	(24,137)	3,935,375
\$ 757,051	\$ 813,900	\$ 26,204	\$ (20,881)	\$ (212,918)

Continued on next page --->

STATE OF VERMONT
COMBINING STATEMENT OF CASH FLOWS, Continued
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Risk Management - All Other Fund	Workers Compensation Fund	Medical Insurance Fund
Cash Flows From Operating Activities:			
Cash received from customers.....	\$ 2,222,348	\$ 8,547,848	\$ 111,041,491
Cash paid to suppliers for goods and services.....	(2,085,125)	(844,856)	(9,817,760)
Cash paid to employees for services.....	(37,174)	(1,040,478)	(998,003)
Cash paid to claimants.....	-	(5,861,002)	(97,169,573)
Other operating revenues.....	-	-	81,474
Other operating expenses.....	-	-	-
Net cash provided (used) by operating activities.....	100,049	801,512	3,137,629
Cash Flows From Noncapital Financing Activities:			
Operating transfers.....	-	-	-
Interfund loans.....	(100,049)	-	-
Net cash provided (used) by noncapital financing activities.....	(100,049)	-	-
Cash Flows From Capital and Related Financing Activities:			
Acquisition and construction of capital assets.....	-	-	-
Proceeds from sale of capital assets.....	-	-	-
Net cash provided (used) by capital and related financing activities.....	-	-	-
Cash Flows From Investing Activities:			
Interest earned (loss) on investments.....	-	602,587	598,448
Net cash provided (used) by investing activities.....	-	602,587	598,448
Net increase (decrease) in cash and cash equivalents.....	-	1,404,099	3,736,077
Cash and cash equivalents at July 1.....	-	15,257,429	14,364,071
Cash and cash equivalents at June 30.....	\$ -	\$ 16,661,528	\$ 18,100,148
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss).....	\$ (21,989)	\$ 377,758	\$ 2,358,950
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation.....	-	-	-
(Increase)decrease in accounts receivable.....	89,514	2,306	(315,520)
(Increase)decrease in due from other funds.....	-	(9,344)	(1,902)
(Increase)decrease in inventory.....	-	-	-
(Increase)decrease in prepaid expenses.....	-	-	-
Increase(decrease) in accounts payable.....	32,170	(10,492)	386,717
Increase(decrease) in accrued salaries and benefits.....	-	10,944	20,169
Increase(decrease) in claims payable.....	-	430,340	689,215
Increase(decrease) in due to other funds.....	354	-	-
Increase(decrease) in deferred revenue.....	-	-	-
Total adjustments.....	122,038	423,754	778,679
Net cash provided (used) by operating activities.....	\$ 100,049	\$ 801,512	\$ 3,137,629

Dental Insurance Fund	Life Insurance Fund	Long-Term Disability Fund	Employees' Assistance Fund	Total Internal Service Funds
\$ 4,884,307	\$ 1,782,666	\$ 215,764	\$ 258,966	\$ 221,510,317
(358,902)	(1,711,808)	(199,372)	(254,164)	(73,419,389)
(29,652)	(11,743)	-	-	(29,916,815)
(5,226,924)	-	-	-	(109,830,080)
50	153	-	-	2,692,700
-	-	-	-	(570,250)
(731,121)	59,268	16,392	4,802	10,466,483
-	-	-	-	(693,979)
-	-	-	-	1,037,420
-	-	-	-	343,441
-	-	-	-	(8,041,572)
-	-	-	-	671,684
-	-	-	-	(7,369,888)
40,857	10,818	-	-	1,581,534
40,857	10,818	-	-	1,581,534
(690,264)	70,086	16,392	4,802	5,021,570
1,331,547	239,658	33,443	69,824	43,667,918
\$ 641,283	\$ 309,744	\$ 49,835	\$ 74,626	\$ 48,689,488
\$ (714,021)	\$ 76,600	\$ 14,942	\$ 2,973	\$ (5,848,652)
-	-	-	-	7,734,632
4,776	(16,202)	(500)	(449)	3,998,935
(35)	(14)	-	-	(356,609)
-	-	-	-	183,585
-	-	-	-	(270,916)
(1,567)	(1,269)	1,950	2,278	(330,096)
381	153	-	-	339,992
(20,655)	-	-	-	2,123,006
-	-	-	-	2,939,930
-	-	-	-	(47,324)
(17,100)	(17,332)	1,450	1,829	16,315,135
\$ (731,121)	\$ 59,268	\$ 16,392	\$ 4,802	\$ 10,466,483

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Vermont

Vermont State Retirement Fund – This is the public defined benefit pension plan provided by the State of Vermont for State employees.

State Teachers' Retirement Fund – This is the public defined benefit pension plan provided by the State of Vermont for State teachers.

Vermont Municipal Employees' Retirement Fund – This is the public pension plan provided by the State of Vermont for participating municipalities' employees.

Vermont State Defined Contribution Fund – This is a retirement plan for those exempt State employees that elected to participate in the defined contribution plan for the Vermont State Retirement System.

Single Deposit Investment Account Fund – This is a tax sheltered account funded through employee transfers from a non-contributing system.

Vermont Municipal Employees' Defined Contribution Fund – This is a retirement plan for those participating municipalities' employees that elected to participate in the defined contribution plan for the Vermont Municipal Employees' Retirement Fund.

Vermont State Postemployment Benefits Trust Fund – This fund's purpose is to accumulate and provide reserves to support retiree postemployment benefits for members of the Vermont state employees' retirement system.

Vermont Municipal Employees' Health Benefit Fund – This is a fund established by the Vermont Municipal Employees' Retirement System's board of directors as a tax-advantaged savings plan that assists retirees in paying for healthcare costs after retirement.

STATE OF VERMONT
PENSION AND OTHER POSTEMPLOYMENT BENEFITS TRUST FUNDS
COMBINING STATEMENTS OF PLAN NET ASSETS
JUNE 30, 2008

Defined Benefit Plans			
	Vermont State Retirement Fund	State Teachers' Retirement Fund	Vermont Municipal Employees' Retirement Fund
Assets:			
Cash and short term investments.....	\$ 2,480,523	\$ 3,162,383	\$ 1,349,355
Receivables:			
Contributions - current.....	3,798,026	2,522,316	1,027,017
Contributions non-current.....	-	-	11,051,031
Interest and dividends.....	11,272	13,792	572,680
Investments sold.....	-	-	-
Due from other funds.....	149,073	-	29,889
Other.....	-	264,169	-
Total receivables.....	3,958,371	2,800,277	12,680,617
Investments at Fair value:			
Pooled investments.....	1,272,646,888	1,488,625,458	312,272,761
Fixed income.....	497	28	4,196
Equities.....	-	1,462	-
Real estate and venture capital.....	2,102,641	5,739,881	767,390
Mutual funds.....	-	-	-
Total investments.....	1,274,750,026	1,494,366,829	313,044,347
Prepaid expenses.....	1,424,823	1,284,417	-
Capital Assets:			
Construction in progress.....	994,427	1,138,877	274,194
Capital assets being depreciated:			
Equipment.....	68,011	79,040	36,763
Less accumulated depreciation.....	(26,638)	(30,957)	(14,399)
Total capital assets, net of depreciation...	1,035,800	1,186,960	296,558
Total assets.....	1,283,649,543	1,502,800,866	327,370,877
Liabilities:			
Payable for investments purchased.....	-	-	-
Accounts payable.....	1,075,176	1,270,637	269,094
Retainage payable.....	80,495	98,357	41,681
Due to other funds.....	-	111,693	-
Total liabilities.....	1,155,671	1,480,687	310,775
Net assets held in trust for employees' pension and other postemployment benefits.....			
	\$ 1,282,493,872	\$ 1,501,320,179	\$ 327,060,102

See Independent Auditors' Report.

Defined Contribution Plans			Other Postemployment Benefits Funds			
Vermont State Defined Contribution Fund	Single Deposit Investment Account Fund	Vermont Municipal Employees' Defined Contribution Fund	Vermont State Postemployment Benefits Trust Fund	Vermont Municipal Employees' Health Benefit Fund	Eliminations	Total
\$ 284,111	\$ 4,475,160	\$ 66,231	\$ 294,790	\$ 3,029,141	\$ -	\$ 15,141,694
155,998	-	17,318	-	1,166,817	-	8,687,492
-	-	-	-	-	-	11,051,031
-	574,821	-	-	-	-	1,172,565
-	4,112,227	-	-	-	-	4,112,227
-	-	-	152,269	-	(178,962)	152,269
-	-	-	-	-	-	264,169
155,998	4,687,048	17,318	152,269	1,166,817	(178,962)	25,439,753
-	-	-	-	-	-	3,073,545,107
-	85,873,527	-	2,284,004	-	-	88,162,252
-	565,650	-	760,684	-	-	1,327,796
-	-	-	-	-	-	8,609,912
38,732,811	-	13,222,481	171,770	4,451,368	-	56,578,430
38,732,811	86,439,177	13,222,481	3,216,458	4,451,368	-	3,228,223,497
35,211	-	-	-	-	-	2,744,451
-	-	-	-	-	-	2,407,498
-	-	-	-	-	-	183,814
-	-	-	-	-	-	(71,994)
-	-	-	-	-	-	2,519,318
39,208,131	95,601,385	13,306,030	3,663,517	8,647,326	(178,962)	3,274,068,713
-	11,027,296	-	-	-	-	11,027,296
9,630	-	396	-	-	-	2,624,933
-	-	-	-	-	-	220,533
37,380	-	29,889	-	-	(178,962)	-
47,010	11,027,296	30,285	-	-	(178,962)	13,872,762
\$ 39,161,121	\$ 84,574,089	\$ 13,275,745	\$ 3,663,517	\$ 8,647,326	\$ -	\$ 3,260,195,951

STATE OF VERMONT
PENSION AND OTHER POSTEMPLOYMENT BENEFITS TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Defined Benefit Plans			
	Vermont State Retirement Fund	State Teachers' Retirement Fund	Vermont Municipal Employees' Retirement Fund
Additions :			
Contributions			
Employer - pension benefit.....	\$ 22,811,627	\$ 24,299,097	\$ -
Employer - healthcare benefit.....	16,368,196	15,250,000	-
Plan member.....	18,614,102	22,918,798	9,906,709
Transfers from other pension trust funds.....	166,746	221,773	124,132
Transfers from non-state systems.....	3,238	-	-
Medicare part D drug subsidy.....	-	1,406,469	-
Total contributions.....	57,963,909	64,096,137	10,030,841
Investment Income:			
Net appreciation (depreciation) in fair value of investments.....	35,834,967	38,255,622	8,147,578
Income (loss) from pooled investments.....	(132,073,225)	(161,803,403)	(31,438,559)
Dividends.....	4,513,469	5,733,058	1,033,561
Interest income.....	10,237,214	11,073,277	3,426,899
Securities lending income.....	2,220,415	2,648,751	502,161
Other income.....	526,239	545,228	72,972
Total investment income (loss).....	(78,740,921)	(103,547,467)	(18,255,388)
Less Investment Expenses:			
Investment managers and consultants.....	4,850,023	5,798,123	1,089,451
Securities lending expenses.....	565,310	674,044	127,815
Total investment expenses.....	5,415,333	6,472,167	1,217,266
Net investment income (loss).....	(84,156,254)	(110,019,634)	(19,472,654)
Total additions.....	(26,192,345)	(45,923,497)	(9,441,813)
Deductions:			
Retirement benefits.....	64,060,488	82,157,642	9,064,725
Other post employment benefits.....	16,371,373	15,081,847	-
Refunds of contributions.....	1,414,144	1,280,715	1,143,397
Death claims.....	332,573	391,483	217,602
Transfers to other pension trust funds.....	298,748	151,182	289,215
Depreciation.....	26,638	30,957	14,399
Operating expenses.....	1,227,939	835,516	609,220
Total deductions.....	83,731,903	99,929,342	11,338,558
Change in net assets.....	(109,924,248)	(145,852,839)	(20,780,371)
Net assets held in trust for employees' pension and other postemployment benefits:			
July 1	1,392,418,120	1,647,173,018	347,840,473
June 30.....	\$ 1,282,493,872	\$ 1,501,320,179	\$ 327,060,102

See Independent Auditors' Report.

Defined Contribution Plans			Other Postemployment Benefits Funds			
Vermont State Defined Contribution Fund	Single Deposit Investment Account Fund	Vermont Municipal Employees' Defined Contribution Fund	Vermont State Postemployment Benefit Trust Fund	Vermont Municipal Employees' Health Benefit Fund	Eliminations	Total
\$ 1,959,169	\$ -	\$ 625,539	\$ -	\$ -	\$ -	\$ 49,695,432
-	-	-	1,444,757	9,250,816	-	42,313,769
692,433	-	625,341	-	-	-	52,757,383
187,975	-	38,519	-	-	(739,145)	-
104,074	-	140,808	-	-	-	248,120
-	-	-	-	-	-	1,406,469
2,943,651	-	1,430,207	1,444,757	9,250,816	(739,145)	146,421,173
(5,305,166)	(177,201)	(1,752,734)	(114,737)	(208,779)	-	74,679,550
-	-	-	-	-	-	(325,315,187)
2,550,928	-	847,630	17,803	-	-	14,696,449
10,273	4,552,492	2,596	104,820	48,045	-	29,455,616
-	99,672	-	-	-	-	5,470,999
-	6,049	6,741	-	-	-	1,157,229
(2,743,965)	4,481,012	(895,767)	7,886	(160,734)	-	(199,855,344)
525	308,952	-	-	33,377	-	12,080,451
-	-	-	-	-	-	1,367,169
525	308,952	-	-	33,377	-	13,447,620
(2,744,490)	4,172,060	(895,767)	7,886	(194,111)	-	(213,302,964)
199,161	4,172,060	534,440	1,452,643	9,056,705	(739,145)	(66,881,791)
2,149,065	8,874,501	383,697	-	-	-	166,690,118
252,083	-	-	-	409,379	-	32,114,682
-	-	-	-	-	-	3,838,256
-	-	-	-	-	-	941,658
-	-	-	-	-	(739,145)	-
-	-	-	-	-	-	71,994
39,126	-	38,963	-	-	-	2,750,764
2,440,274	8,874,501	422,660	-	409,379	(739,145)	206,407,472
(2,241,113)	(4,702,441)	111,780	1,452,643	8,647,326	-	(273,289,263)
41,402,234	89,276,530	13,163,965	2,210,874	-	-	3,533,485,214
\$ 39,161,121	\$ 84,574,089	\$ 13,275,745	\$ 3,663,517	\$ 8,647,326	\$ -	\$ 3,260,195,951

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Vermont

Agency Funds' Descriptions

Retirement System Contributions and Withholdings Fund – This fund holds the employees' retirement contributions and withholdings until distribution to the appropriate pension fund.

Federal Income Tax Withholdings Fund – This fund holds employees' federal income tax withholdings until they are paid to the Federal Government.

State Income Tax Withholdings Fund – This fund holds employees' state income tax withholdings are held until they are paid to the State.

Social Security Tax Contributions and Withholdings Fund – This is the fund where employees' FICA withholdings are held until they are paid to the Federal Government.

Employees Credit Union Withholding Fund – This is the fund where employees voluntary withholdings to pay off Vermont State Employees' Credit Union (VSECU) loans or deposits to VSECU accounts (other than net pay) are held until paid to the VSECU.

Employees Insurance Contributions and Withholdings Fund – This is the fund where the State and the State's employees' share of the insurance premiums is held until distribution to the appropriate internal service fund.

Employees Deferred Income Withholdings Fund – This is the fund where the employees' voluntary deferred income withholdings are held until paid to the program administrator.

Other Employee Contributions and Withholdings Fund – This is the fund where other withholdings and contributions (charitable, savings bonds, flexible spending, etc) are held until paid to the appropriate depository.

Unidentified Receipts Fund – Many receipts ultimately get split into several funds, the Unidentified Fund is used to deposit the money immediately; later the receipt is reconciled and transferred to the correct fund.

Vendor and Other Deposits Fund – This is the fund where escrow amounts, advances, garnishments and other miscellaneous agency funds are reported.

Child Support Collections Fund – This is the fund where child support receipts are held until paid to the correct recipient.

STATE OF VERMONT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Balance June 30, 2007	Additions	Deductions	Balance June 30, 2008
RETIREMENT SYSTEM CONTRIBUTIONS AND WITHHOLDINGS FUND				
ASSETS				
Cash.....	\$ -	\$ 58,009,928	\$ 58,009,722	\$ 206
Accounts receivable.....	\$ 258	\$ -	\$ 258	\$ -
Total assets.....	<u>\$ 258</u>	<u>\$ 58,009,928</u>	<u>\$ 58,009,980</u>	<u>\$ 206</u>
LIABILITIES				
Due to depositories.....	\$ -	\$ 58,009,928	\$ 58,009,722	\$ 206
Interfund payable.....	\$ 258	\$ -	\$ 258	\$ -
Total liabilities.....	<u>\$ 258</u>	<u>\$ 58,009,928</u>	<u>\$ 58,009,980</u>	<u>\$ 206</u>
FEDERAL INCOME TAX WITHHOLDINGS FUND				
ASSETS				
Cash.....	\$ 5,075	\$ 52,178,949	\$ 52,178,561	\$ 5,463
Total assets.....	<u>\$ 5,075</u>	<u>\$ 52,178,949</u>	<u>\$ 52,178,561</u>	<u>\$ 5,463</u>
LIABILITIES				
Due to depositories.....	\$ 5,075	\$ 52,178,949	\$ 52,178,561	\$ 5,463
Total liabilities.....	<u>\$ 5,075</u>	<u>\$ 52,178,949</u>	<u>\$ 52,178,561</u>	<u>\$ 5,463</u>
STATE INCOME TAX WITHHOLDINGS FUND				
ASSETS				
Cash.....	\$ -	\$ 14,860,644	\$ 14,860,644	\$ -
Accounts receivable.....	\$ -	\$ 571	\$ -	\$ 571
Total assets.....	<u>\$ -</u>	<u>\$ 14,861,215</u>	<u>\$ 14,860,644</u>	<u>\$ 571</u>
LIABILITIES				
Due to depositories.....	\$ -	\$ 14,860,644	\$ 14,860,644	\$ -
Interfund payable.....	\$ -	\$ 571	\$ -	\$ 571
Total liabilities.....	<u>\$ -</u>	<u>\$ 14,861,215</u>	<u>\$ 14,860,644</u>	<u>\$ 571</u>
SOCIAL SECURITY TAX CONTRIBUTIONS AND WITHHOLDINGS FUND				
ASSETS				
Cash.....	\$ -	\$ 68,643,797	\$ 68,643,797	\$ -
Total assets.....	<u>\$ -</u>	<u>\$ 68,643,797</u>	<u>\$ 68,643,797</u>	<u>\$ -</u>
LIABILITIES				
Due to depositories.....	\$ -	\$ 68,643,797	\$ 68,643,797	\$ -
Total liabilities.....	<u>\$ -</u>	<u>\$ 68,643,797</u>	<u>\$ 68,643,797</u>	<u>\$ -</u>
EMPLOYEES CREDIT UNION WITHHOLDING FUND				
ASSETS				
Cash.....	\$ 286	\$ 42,609,274	\$ 42,609,551	\$ 9
Total assets.....	<u>\$ 286</u>	<u>\$ 42,609,274</u>	<u>\$ 42,609,551</u>	<u>\$ 9</u>
LIABILITIES				
Due to depositories.....	\$ 286	\$ 42,609,274	\$ 42,609,551	\$ 9
Total liabilities.....	<u>\$ 286</u>	<u>\$ 42,609,274</u>	<u>\$ 42,609,551</u>	<u>\$ 9</u>

See Independent Auditors' Report.

Continued on next page ---->

STATE OF VERMONT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Balance June 30, 2007	Additions	Deductions	Balance June 30, 2008
EMPLOYEES INSURANCE CONTRIBUTIONS AND WITHHOLDINGS FUND				
ASSETS				
Cash.....	\$ -	\$ 95,614,566	\$ 95,614,566	\$ -
Accounts receivable.....	\$ 44	\$ 900	\$ 44	\$ 900
Total assets.....	<u>\$ 44</u>	<u>\$ 95,615,466</u>	<u>\$ 95,614,610</u>	<u>\$ 900</u>
LIABILITIES				
Due to depositories.....	\$ -	\$ 95,614,586	\$ 95,614,566	\$ 20
Interfund payable.....	\$ 44	\$ 880	\$ 44	\$ 880
Total liabilities.....	<u>\$ 44</u>	<u>\$ 95,615,466</u>	<u>\$ 95,614,610</u>	<u>\$ 900</u>
EMPLOYEES DEFERRED INCOME WITHHOLDINGS FUND				
ASSETS				
Cash.....	\$ 100	\$ 16,891,285	\$ 16,891,385	\$ -
Accounts receivable.....	\$ -	\$ 31	\$ -	\$ 31
Total assets.....	<u>\$ 100</u>	<u>\$ 16,891,316</u>	<u>\$ 16,891,385</u>	<u>\$ 31</u>
LIABILITIES				
Due to depositories.....	\$ 100	\$ 16,891,285	\$ 16,891,385	\$ -
Interfund payable.....	\$ -	\$ 31	\$ -	\$ 31
Total liabilities.....	<u>\$ 100</u>	<u>\$ 16,891,316</u>	<u>\$ 16,891,385</u>	<u>\$ -</u>
OTHER EMPLOYEE CONTRIBUTIONS AND WITHHOLDINGS FUND				
ASSETS				
Cash.....	\$ 13,486	\$ 7,099,626	\$ 7,083,058	\$ 30,054
Accounts receivable.....	\$ 576	\$ 2,755	\$ 576	\$ 2,755
Due from other funds.....	\$ 50,450	\$ 23,165	\$ 50,450	\$ 23,165
Total assets.....	<u>\$ 64,512</u>	<u>\$ 7,125,546</u>	<u>\$ 7,134,084</u>	<u>\$ 55,974</u>
LIABILITIES				
Due to depositories.....	\$ 13,486	\$ 7,113,292	\$ 7,083,058	\$ 43,720
Interfund payable.....	\$ 51,026	\$ 12,254	\$ 51,026	\$ 12,254
Total liabilities.....	<u>\$ 64,512</u>	<u>\$ 7,125,546</u>	<u>\$ 7,134,084</u>	<u>\$ 55,974</u>
UNIDENTIFIED RECEIPTS FUND				
ASSETS				
Cash.....	\$ -	\$ 357,996,877	\$ 357,996,877	\$ -
Total assets.....	<u>\$ -</u>	<u>\$ 357,996,877</u>	<u>\$ 357,996,877</u>	<u>\$ -</u>
LIABILITIES				
Due to other funds.....	\$ -	\$ 357,996,877	\$ 357,996,877	\$ -
Total liabilities.....	<u>\$ -</u>	<u>\$ 357,996,877</u>	<u>\$ 357,996,877</u>	<u>\$ -</u>

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STATE OF VERMONT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Balance June 30, 2007		Additions		Deductions		Balance June 30, 2008
VENDOR AND OTHER DEPOSITS FUND							
ASSETS							
Cash.....	\$ 5,388,856		\$ 34,276,246		\$ 35,755,606		\$ 3,909,496
Taxes receivable.....	1,315,207		2,189,808		1,315,207		2,189,808
Accounts receivable.....	68,892		1,293,933		1,292,686		70,139
Total assets.....	<u>\$ 6,772,955</u>		<u>\$ 37,759,987</u>		<u>\$ 38,363,499</u>		<u>\$ 6,169,443</u>
LIABILITIES							
Amounts held in custody for others.....	\$ 2,743,976		\$ 10,696,586		\$ 11,653,139		\$ 1,787,423
Due to other funds.....	724,027		70,528		794,555		-
Intergovernmental payable other governments.....	2,175,356		20,265,744		19,346,301		3,094,799
Other liabilities.....	1,060,318		4,087,024		3,930,479		1,216,863
Interfund payable.....	69,278		70,358		69,278		70,358
Total liabilities.....	<u>\$ 6,772,955</u>		<u>\$ 35,190,240</u>		<u>\$ 35,793,752</u>		<u>\$ 6,169,443</u>
CHILD SUPPORT COLLECTIONS FUND							
ASSETS							
Cash.....	\$ 451,828		\$ 57,985,803		\$ 57,478,294		\$ 959,337
Accounts receivable.....	9,219		348,035		9,219		348,035
Total assets.....	<u>\$ 461,047</u>		<u>\$ 58,333,838</u>		<u>\$ 57,487,513</u>		<u>\$ 1,307,372</u>
LIABILITIES							
Amount held in custody for others.....	\$ 461,047		\$ 58,333,838		\$ 57,487,513		\$ 1,307,372
Total liabilities.....	<u>\$ 461,047</u>		<u>\$ 58,333,838</u>		<u>\$ 57,487,513</u>		<u>\$ 1,307,372</u>
TOTALS - ALL AGENCY FUNDS							
ASSETS							
Cash.....	\$ 5,859,631		\$ 806,166,995		\$ 807,122,061		\$ 4,904,565
Accounts receivable.....	78,989		1,646,225		1,302,783		422,431
Taxes receivable.....	1,315,207		2,189,808		1,315,207		2,189,808
Due from other funds.....	50,450		23,165		50,450		23,165
Total assets.....	<u>\$ 7,304,277</u>		<u>\$ 810,026,193</u>		<u>\$ 809,790,501</u>		<u>\$ 7,539,969</u>
LIABILITIES							
Due to depositories.....	\$ 18,947		\$ 355,921,755		\$ 355,891,284		\$ 49,418
Due to other funds.....	724,027		358,067,405		358,791,432		-
Amounts held in custody for others.....	3,205,023		69,030,424		69,140,652		3,094,795
Intergovernmental payable other governments.....	2,175,356		20,265,744		19,346,301		3,094,799
Other liabilities.....	1,060,318		4,087,024		3,930,479		1,216,863
Interfund payable.....	120,606		84,094		120,606		84,094
Total liabilities.....	<u>\$ 7,304,277</u>		<u>\$ 807,456,446</u>		<u>\$ 807,220,754</u>		<u>\$ 7,539,969</u>

Vermont Economic Development Authority – This is a tax-exempt entity whose purpose is to promote economic prosperity within the State of Vermont by providing capital and direct financing to eligible borrowers.

Vermont Housing & Conservation Board – This is a not for profit entity whose mission is to create affordable housing for Vermonters and to conserve and protect agricultural, historic, natural and recreational sites within Vermont.

Vermont Sustainable Jobs Fund – This is a not for profit entity set up to implement a jobs program.

Vermont Municipal Bond Bank – The Bond Bank's purpose is to create large bond issues on behalf of the States' municipalities and loan the proceeds back to the participating municipalities.

Vermont Educational and Health Buildings Financing Agency – This purpose of this agency is to provide tax-exempt financing to libraries, educational and healthcare providers to assist in the purchase and construction of real and personal property.

Vermont Center for Geographic Information, Inc. – This not for profit organization was created to implement and maintain a geographic information system.

Vermont Veterans' Home – The Vet's home provides care to those that have given to their country and the State of Vermont.

Vermont Rehabilitation Corporation – This not for profit organization's purpose is to provide funding to farmers to reduce their investment costs in an effort to help them be successful.

Vermont Film Corporation - This is a non-profit public corporation, created for the purpose of promoting the state as a location for commercial film and television production, and to facilitate the participation of local individuals and companies in such productions.

STATE OF VERMONT
COMBINING STATEMENT OF NET ASSETS
NON-MAJOR COMPONENT UNITS
June 30, 2008

	Vermont Economic Development Authority 06/30/2008	Vermont Housing & Conservation Board 06/30/2008	Vermont Sustainable Jobs Fund 06/30/2008	Vermont Municipal Bond Bank 12/31/2007
ASSETS				
Current Assets:				
Cash and cash equivalents.....	\$ 3,805,934	\$ 13,422,180	\$ 113,372	\$ 3,743,926
Investments.....	2,613,660	-	-	9,076,401
Accounts receivable (net).....	-	-	-	478
Accrued interest receivable - loans.....	262,640	14,214,284	-	2,240,965
Loans and notes receivable - current portion.....	8,789,548	24,505	-	39,031,729
Other receivables.....	-	36,949	16,498	-
Due from federal government.....	-	16,543,006	-	-
Due from primary government.....	368,354	-	-	-
Inventories (at cost).....	-	-	-	-
Other current assets.....	860,750	-	2,093	-
Total current assets.....	16,700,886	44,240,924	131,963	54,093,499
Restricted and Non-Current Assets:				
Cash.....	-	-	-	2,575,608
Investments.....	20,000,000	-	-	42,065,181
Deferred bond issue costs.....	-	-	-	5,883,049
Loans and notes receivable (net).....	82,996,957	106,213,032	-	403,354,070
Other assets.....	-	-	-	-
Total restricted & noncurrent assets.....	102,996,957	106,213,032	-	453,877,908
Capital Assets:				
Land.....	250,000	-	-	-
Construction in process.....	-	-	-	-
Building and leasehold improvements.....	4,028,304	-	-	-
Equipment, furniture and fixtures.....	490,825	55,937	16,526	-
Accumulated depreciation.....	(452,697)	(50,294)	(9,787)	-
Total capital assets, net of depreciation.....	4,316,432	5,643	6,739	-
Total assets.....	124,014,275	150,459,599	138,702	507,971,407
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities.....	870,195	285,786	6,793	20,028
Accrued interest payable.....	173,364	-	-	-
Bond interest payable.....	-	-	-	1,764,468
Deferred revenue.....	-	-	85,309	-
Current portion of long-term liabilities.....	75,954,380	-	-	42,895,678
Due to primary government.....	31,463	2,675,808	-	-
Escrowed cash deposits.....	167,000	-	-	-
Other current liabilities.....	782,757	13,557,696	-	-
Total current liabilities.....	77,979,159	16,519,290	92,102	44,680,174
Restricted and Non-Current Liabilities:				
Bonds and notes payable.....	10,547,329	271,695	-	439,045,337
Accrued arbitrage rebate.....	-	-	-	1,177,386
Other liabilities.....	-	-	-	26,100
Total liabilities payable from restricted assets.....	10,547,329	271,695	-	440,248,823
Total liabilities.....	88,526,488	16,790,985	92,102	484,928,997
NET ASSETS				
Invested in capital assets, net of related debt.....	953,743	5,643	6,739	-
Restricted.....	22,373,636	133,657,361	-	13,440,716
Unrestricted.....	12,160,408	5,610	39,861	9,601,694
Total net assets.....	\$ 35,487,787	\$ 133,668,614	\$ 46,600	\$ 23,042,410

See Independent Auditors' Report.

Vermont Educational and Health Buildings Financing Agency		Vermont Center For Geographic Information, Inc.	Vermont Veterans' Home	Vermont Rehabilitation Corporation	Vermont Film Corporation	Vermont Telecommunication Authority	Total Non-major Component Units
	12/31/2007	06/30/2008	06/30/2008	06/30/2008	06/30/2008	06/30/2008	
\$	1,276,936	\$ 122,676	\$ 2,062,126	\$ 79,100	\$ 8,479	\$ 223,876	\$ 24,858,605
-	-	-	-	-	-	-	11,690,061
42,933	14,767	1,888,597	-	470	-	-	1,947,245
-	-	-	5,459	-	-	-	16,723,348
-	-	-	21,073	-	-	-	47,866,855
-	8,937	-	-	-	-	-	62,384
-	-	1,046,547	-	-	-	-	17,589,553
-	-	-	-	-	-	-	368,354
-	-	106,740	-	-	-	-	106,740
-	9,795	-	-	-	3,001	-	875,639
1,319,869	156,175	5,104,010	105,632	8,949	226,877	122,088,784	
-	-	-	-	-	-	-	2,575,608
-	-	-	-	-	-	-	62,065,181
-	-	-	-	-	-	-	5,883,049
-	-	-	118,927	-	-	-	592,682,986
-	-	5,317	-	-	-	-	5,317
-	-	5,317	118,927	-	-	-	663,212,141
-	-	313,608	-	-	-	-	563,608
-	-	90,673	-	-	-	-	90,673
-	-	15,301,034	-	-	-	-	19,329,338
-	155,291	2,813,671	-	-	12,271	-	3,544,521
-	(102,748)	(11,929,458)	-	-	(1,141)	-	(12,546,125)
-	52,543	6,589,528	-	-	11,130	-	10,982,015
1,319,869	208,718	11,698,855	224,559	8,949	238,007	-	796,282,940
86,500	26,888	1,643,766	-	144	42,609	2,982,709	
-	-	-	-	-	-	173,364	
-	-	-	-	-	-	1,764,468	
-	19,900	59,948	-	-	-	165,157	
-	-	-	-	-	-	118,850,058	
-	-	-	-	-	-	2,707,271	
-	-	-	-	-	-	167,000	
-	-	70,432	-	-	-	14,410,885	
86,500	46,788	1,774,146	-	144	42,609	141,220,912	
-	-	-	-	-	-	449,864,361	
-	-	-	-	-	-	1,177,386	
-	-	4,864	-	-	-	30,964	
-	-	4,864	-	-	-	451,072,711	
86,500	46,788	1,779,010	-	144	42,609	592,293,623	
-	52,543	6,589,528	-	-	11,130	7,619,326	
-	-	-	-	-	-	169,471,713	
1,233,369	109,387	3,330,317	224,559	8,805	184,268	26,898,278	
\$ 1,233,369	\$ 161,930	\$ 9,919,845	\$ 224,559	\$ 8,805	\$ 195,398	\$ 203,989,317	

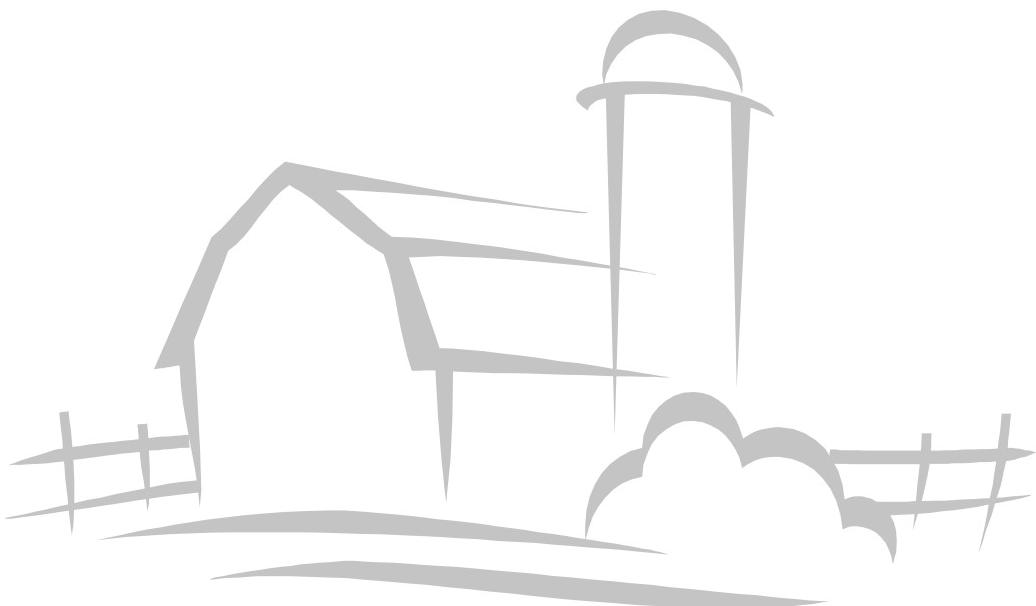
STATE OF VERMONT
COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2008

	Vermont Economic Development Authority 06/30/2008	Vermont Housing & Conservation Board 06/30/2008	Vermont Sustainable Jobs Fund 06/30/2008	Vermont Municipal Bond Bank 12/31/2007
Expenses:				
Salaries and benefits.....	\$ 2,174,625	\$ 2,003,459	\$ 229,778	\$ -
Other expenses.....	1,850,683	13,087,522	297,279	2,001,322
Depreciation.....	159,635	1,840	-	-
Interest on debt.....	4,225,614	-	-	20,298,905
Total expenses.....	8,410,557	15,092,821	527,057	22,300,227
Program Revenues:				
Charges for services.....	6,413,251	-	27,939	22,270,040
Operating grants and contributions.....	(251,952)	9,775,263	482,965	-
Capital grants and contributions.....	-	-	-	-
Total program revenues.....	6,161,299	9,775,263	510,904	22,270,040
Net revenue (expense).....	(2,249,258)	(5,317,558)	(16,153)	(30,187)
General Revenues:				
Property transfer tax.....	-	15,483,258	-	-
Investment income.....	1,198,876	798,849	9,564	5,243,277
Miscellaneous.....	-	116,635	-	-
Total general revenues.....	1,198,876	16,398,742	9,564	5,243,277
Changes in net assets.....	(1,050,382)	11,081,184	(6,589)	5,213,090
Net assets - beginning, restated.....	36,538,169	122,587,430	53,189	17,829,320
Net assets - ending.....	\$ 35,487,787	\$ 133,668,614	\$ 46,600	\$ 23,042,410

See Independent Auditors' Report.

Vermont Educational and Health Buildings Financing Agency 12/31/2007	Vermont Center For Geographic Information, Inc. 06/30/2008	Vermont Veterans' Home 06/30/2008	Vermont Rehabilitation Corporation 06/30/2008	Vermont Film Corporation 06/30/2008	Vermont Telecommunication Authority 06/30/2008	Total Non-major Component Units
\$ 46,197	\$ 440,493	\$ 11,707,059	\$ -	\$ 146,302	\$ 140,297	\$ 16,888,210
153,815	263,225	5,252,591	-	77,464	380,474	23,364,375
-	17,729	569,751	-	-	1,141	750,096
-	-	-	-	-	-	24,524,519
200,012	721,447	17,529,401	-	223,766	521,912	65,527,200
 174,352	 315,688	 16,009,439	 -	 -	 -	 45,210,709
-	430,210	928,898	-	184,005	713,254	12,262,643
-	-	1,657,172	-	-	-	1,657,172
174,352	745,898	18,595,509	-	184,005	713,254	59,130,524
 (25,660)	 24,451	 1,066,108	 -	 (39,761)	 191,342	 (6,396,676)
 - 73,441	 - - 73,441	 61 1,052,505 1,052,566	 - 2,825 2,825	 - - -	 4,056 - 4,056	 15,483,258 7,330,949 1,169,140 23,983,347
 47,781	 24,451	 2,118,674	 2,825	 (39,761)	 195,398	 17,586,671
 1,185,588	 137,479	 7,801,171	 221,734	 48,566	 -	 186,402,646
\$ 1,233,369	\$ 161,930	\$ 9,919,845	\$ 224,559	\$ 8,805	\$ 195,398	\$ 203,989,317

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Vermont

STATISTICAL SECTION CONTENTS
JUNE 30, 2008

The Statistical Section of the Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information indicates about the State of Vermont's overall financial health. Below is a summary of the components and purpose of the tables provided in this section.

Financial Trends – Tables 1 through 4

These schedules contain trend information extracted from the State's financial statements, to help the reader understand how the State's financial performance and financial position have changed over time.

Revenue Capacity – Tables 5 through 7

These schedules contain information to help the reader assess the State's most significant revenue source – the personal income tax.

Debt Capacity – Tables 8 and 9

These schedules present information to help the reader assess the affordability of the State's current levels of outstanding debt, the State's ability to issue additional debt in the future, and related historical trend data.

Demographic and Economic Information – Tables 10 and 11

These schedules contain demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place.

Operating Indicators – Tables 12 through 14

These schedules contain service levels and capital asset data to help the reader understand how the information in the State's financial report relates to the services the State provides to its citizens and visitors.

This information is unaudited.

STATE OF VERMONT
Statistical Section - Table 1
Financial Trends
Net Assets by Component, Last Seven Fiscal Years*
(accrual basis of accounting)

	2008	2007
Primary Government:		
Governmental Activities		
Invested in capital assets, net of related debt.....	\$ 1,245,907,690	\$ 1,161,200,173
Restricted.....	117,116,560	143,355,279
Unrestricted.....	(112,439,780)	(27,414,383)
Total governmental activities net assets.....	<u>\$ 1,250,584,470</u>	<u>\$ 1,277,141,069</u>
Business-type Activities		
Invested in capital assets, net of related debt.....	\$ 583,729	\$ 412,181
Restricted.....	169,205,810	194,832,088
Unrestricted.....	3,327,804	3,742,941
Total business-type activities net assets.....	<u>\$ 173,117,343</u>	<u>\$ 198,987,210</u>
Primary Government Totals		
Invested in capital assets, net of related debt.....	\$ 1,246,491,419	\$ 1,161,612,354
Restricted.....	286,322,370	338,187,367
Unrestricted.....	(109,111,976)	(23,671,442)
Total primary government net assets.....	<u>\$ 1,423,701,813</u>	<u>\$ 1,476,128,279</u>
Discretely Presented Component Units		
Invested in capital assets, net of related debt.....	\$ 171,918,414	\$ 165,900,933
Restricted.....	605,213,884	606,079,880
Unrestricted.....	180,869,571	231,293,329
Total discretely presented units net assets.....	<u>\$ 958,001,869</u>	<u>\$ 1,003,274,142</u>

* Net assets information is available only from 2002, when the State implemented the changes required under Governmental Accounting Standards Board Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments."

2006	2005	2004	2003	2002
\$ 1,080,092,389	\$ 1,055,464,625	\$ 1,001,388,886	\$ 928,020,928	\$ 783,951,377
167,489,838	111,942,593	121,352,328	90,217,671	94,309,980
(85,683,901)	(69,649,499)	(67,098,959)	(169,421,307)	(52,608,139)
\$ 1,161,898,326	\$ 1,097,757,719	\$ 1,055,642,255	\$ 848,817,292	\$ 825,653,218
\$ 371,942	\$ 483,635	\$ 464,618	\$ 533,770	\$ 504,762
209,321,179	227,855,775	238,547,672	264,989,370	314,711,238
4,014,732	3,845,924	3,529,815	3,122,083	3,606,744
\$ 213,707,853	\$ 232,185,334	\$ 242,542,105	\$ 268,645,223	\$ 318,822,744
\$ 1,080,464,331	\$ 1,055,948,260	\$ 1,001,883,504	\$ 928,554,698	\$ 784,456,139
376,811,017	339,798,368	359,900,100	355,207,041	409,021,218
(81,669,169)	(65,803,575)	(63,569,144)	(166,299,224)	(49,001,395)
\$ 1,375,606,179	\$ 1,329,943,053	\$ 1,298,214,460	\$ 1,117,462,515	\$ 1,144,475,962
\$ 165,430,751	\$ 171,458,877	\$ 151,213,394	\$ 154,068,373	\$ 159,352,039
516,629,098	470,244,961	446,997,871	404,226,821	364,794,162
239,323,346	215,838,933	205,624,698	182,059,839	177,586,817
\$ 921,383,195	\$ 857,542,771	\$ 803,835,963	\$ 740,355,033	\$ 701,733,018

STATE OF VERMONT
Statistical Section - Table 2
Financial Trends
Changes in Net Assets, Last Seven Fiscal Years*
(accrual basis of accounting)

	2008	2007	2006
Governmental activities:			
Expenses:			
General government.....	\$ 101,536,003	\$ 114,687,717	\$ 110,054,915
Protection to persons & property.....	259,691,386	255,620,540	233,163,452
Human services.....	1,652,680,329	1,518,969,474	1,445,867,889
Employment & training.....	28,020,157	24,739,704	21,154,243
General education.....	1,614,446,803	1,622,441,379	1,555,673,656
Natural resources.....	95,657,166	85,900,684	82,814,307
Commerce & community development.....	36,953,754	31,946,826	32,251,500
Transportation.....	310,701,544	307,899,295	301,625,876
Public service enterprises.....	4,502,606	1,890,030	1,994,246
Interest on long-term debt.....	19,360,558	20,072,137	21,046,866
Total expenses.....	4,123,550,306	3,984,167,786	3,805,646,950
Program revenues:			
Charges for services:			
General government.....	\$ 20,973,026	\$ 52,384,238	\$ 46,748,777
Protection to persons & property.....	112,100,404	115,546,052	97,700,416
Human services.....	15,682,861	14,806,660	33,474,522
Natural resources.....	25,513,793	23,077,637	23,868,138
Transportation.....	86,370,146	86,295,037	74,645,995
Other.....	12,857,144	7,511,061	4,789,438
Operating grants & contributions.....	1,182,604,550	1,083,831,907	1,072,041,991
Capital grants & contributions.....	151,735,213	167,180,872	128,657,913
Total program revenues.....	1,607,837,137	1,550,633,464	1,481,927,190
Total governmental activities net program expense.....	(2,515,713,169)	(2,433,534,322)	(2,323,719,760)
General revenues and other changes in net assets:			
Taxes:			
Personal and corporate income.....	\$ 698,304,586	\$ 679,886,186	\$ 612,565,565
Sales and use.....	336,164,340	332,314,113	327,074,633
Meals and rooms.....	119,758,150	116,888,579	111,570,407
Purchase and use.....	79,084,039	80,590,615	80,987,232
Motor fuel.....	65,080,036	65,426,866	67,579,632
Statewide property.....	798,904,652	878,714,663	813,588,165
Other taxes.....	317,438,225	331,016,679	317,186,837
Unrestricted investment earnings.....	8,731,712	11,285,923	7,426,303
Tobacco litigation settlement.....	38,236,100	24,985,722	24,056,870
Miscellaneous.....	3,555,121	3,431,989	2,276,594
Transfers.....	23,899,609	24,235,730	23,548,129
Extraordinary item:			
Gain (loss) on forgiveness of debt.....	-	-	-
Total general revenues and other changes in net assets.....	2,489,156,570	2,548,777,065	2,387,860,367
Total governmental activities change in net assets.....	\$ (26,556,599)	\$ 115,242,743	\$ 64,140,607

* Changes in net assets information is available only from 2002, when the State implemented the changes required under Governmental Accounting Standards Board Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments."

2005	2004	2003	2002
\$ 130,521,043	\$ 98,474,432	\$ 51,573,621	\$ 87,431,591
213,426,040	196,013,649	186,817,842	173,208,802
1,392,265,594	1,299,865,739	1,185,924,153	1,046,568,774
20,582,854	26,290,402	27,906,916	25,972,322
1,446,411,207	1,149,533,015	1,096,988,222	1,035,750,817
78,421,902	72,892,394	69,459,648	71,367,475
35,651,341	29,862,767	33,849,108	36,782,068
269,066,282	251,788,690	236,214,373	257,519,692
1,649,863	1,898,161	1,897,774	2,001,936
19,306,820	22,590,740	26,358,563	23,549,404
3,607,302,946	3,149,209,989	2,916,990,220	2,760,152,881
\$ 59,498,045	\$ 44,679,001	\$ 11,603,365	\$ 9,699,360
78,017,142	81,275,686	79,397,311	73,459,483
20,716,612	22,778,569	30,390,548	24,892,193
24,437,759	20,829,414	18,962,892	24,057,234
69,299,051	68,373,760	63,778,498	54,870,144
4,355,367	7,762,062	7,518,156	8,780,996
1,032,577,419	1,096,788,598	935,183,708	831,069,156
130,645,583	113,007,095	116,022,645	144,363,660
1,419,546,978	1,455,494,185	1,262,857,123	1,171,192,226
(2,187,755,968)	(1,693,715,804)	(1,654,133,097)	(1,588,960,655)
\$ 568,058,897	\$ 496,301,917	\$ 404,947,697	\$ 429,430,661
312,395,227	264,336,818	205,205,492	217,685,005
111,979,770	109,914,847	95,354,842	100,622,918
84,046,573	86,363,011	82,089,177	79,455,165
67,334,972	68,654,068	71,257,920	69,223,434
732,330,555	487,535,603	453,868,075	424,243,836
294,257,364	329,543,672	284,253,279	236,994,926
6,664,257	3,130,140	4,602,180	4,529,099
26,205,607	25,819,716	30,545,249	31,000,098
5,875,143	7,194,789	2,446,521	2,284,384
20,722,967	19,957,578	16,582,383	16,929,798
-	-	(7,500,000)	-
2,229,871,332	1,898,752,159	1,643,652,815	1,612,399,324
\$ 42,115,364	\$ 205,036,355	\$ (10,480,282)	\$ 23,438,669

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STATE OF VERMONT
Statistical Section - Table 2
Financial Trends
Changes in Net Assets, Last Six Fiscal Years*, Continued
(accrual basis of accounting)

	2008	2007	2006
Business-type activities:			
Expenses:			
Vermont Lottery Commission.....	\$ 79,595,887	\$ 81,224,645	\$ 82,262,856
Liquor Control.....	45,311,653	43,186,763	40,511,410
Unemployment Compensation.....	98,955,469	94,396,459	85,483,130
Other.....	3,139,932	2,936,606	2,948,294
Total expenses.....	227,002,941	221,744,473	211,205,690
Revenues:			
Charges for services:			
Vermont Lottery Commission.....	102,000,627	104,550,857	104,878,624
Liquor Control.....	45,926,628	43,994,124	41,480,297
Unemployment Compensation.....	65,327,271	70,821,223	57,428,204
Other.....	3,027,266	2,598,672	2,648,873
Total program revenues.....	216,281,792	221,964,876	206,435,998
Total business-type activities net program expense	(10,721,149)	220,403	(4,769,692)
General revenues and other changes in net assets:			
Unrestricted investment earnings.....	8,740,362	9,286,126	9,831,999
Miscellaneous.....	10,529	8,558	8,341
Capital asset transfers.....	-	-	-
Transfers.....	(23,899,609)	(24,235,730)	(23,548,129)
Total other changes in net assets.....	(15,148,718)	(14,941,046)	(13,707,789)
Total business-type activities change in net assets.....	\$ (25,869,867)	\$ (14,720,643)	\$ (18,477,481)
Total primary government change in net assets.....	\$ (52,426,466)	\$ 100,522,100	\$ 45,663,126
Component units:			
Expenses:			
Vermont Student Assistance Corporation.....	\$ 199,476,000	\$ 176,918,000	\$ 154,884,000
University of Vermont & State Agricultural College.....	559,961,000	505,403,000	453,127,000
Vermont State Colleges.....	154,614,471	141,662,574	135,102,593
Other.....	65,527,200	70,645,626	61,848,235
Total expenses.....	979,578,671	894,629,200	804,961,828
Program revenues:			
Charges for services:			
Vermont Student Assistance Corporation.....	\$ 106,106,000	\$ 106,540,000	\$ 84,537,000
University of Vermont & State Agricultural College.....	290,105,000	262,342,000	241,837,000
Vermont State Colleges.....	95,771,945	91,035,108	83,360,619
Other.....	45,210,709	44,385,811	41,440,876
Operating grants & contributions.....	344,597,739	343,609,242	335,394,901
Capital grants & contributions.....	14,506,269	19,093,518	10,651,167
Total program revenues.....	896,297,662	867,005,679	797,221,563
Total governmental activities net program expense.....	(83,281,009)	(27,623,521)	(7,740,265)
General revenues and other changes in net assets:			
Taxes.....	\$ 15,483,258	\$ 13,763,883	\$ 15,671,180
Unrestricted investment earnings.....	19,392,520	93,754,115	55,017,880
Other.....	2,048,258	1,504,400	891,629
Extraordinary Items:			
Gain (loss) on forgiveness of debt.....	-	-	-
Loss on extinguishment of debt.....	-	-	-
Total general revenues and other changes in net assets.....	36,924,036	109,022,398	71,580,689
Total component units change in net assets.....	\$ (46,356,973)	\$ 81,398,877	\$ 63,840,424

	2005		2004		2003		2002
\$	71,719,711		\$	72,319,680		\$	63,650,809
	38,155,229			36,236,080			34,357,279
	79,967,905			99,549,897			130,315,726
	3,872,621			2,726,827			3,026,310
	193,715,466			210,832,484			231,350,124
							190,281,800
	92,599,609			92,389,082			79,412,447
	39,209,269			36,665,547			34,254,147
	57,249,620			58,540,541			63,633,038
	2,919,253			2,603,675			2,920,076
	191,977,751			190,198,845			180,219,708
							184,386,507
	(1,737,715)			(20,633,639)			(51,130,416)
							(5,895,293)
	12,388,648			14,502,200			18,011,637
	(274,809)			15,899			2,646
	(39,928)			-			-
	(20,722,967)			(19,957,578)			(16,582,383)
	(8,649,056)			(5,439,479)			1,431,900
	\$ (10,386,771)			\$ (26,073,118)			\$ (49,698,516)
							\$ (2,860,416)
	\$ 31,728,593			\$ 178,963,237			\$ 60,178,798
							\$ 20,578,253
\$	130,083,000		\$	94,333,000		\$	93,829,000
	423,317,000			406,661,000			379,503,000
	125,540,113			118,800,228			106,498,224
	58,683,189			61,499,406			61,389,984
	737,623,302			681,293,634			641,220,208
							604,517,467
\$	65,044,000		\$	59,562,000		\$	57,775,000
	215,925,000			201,196,000			182,705,000
	76,556,436			69,421,442			58,679,187
	41,326,019			37,404,981			37,123,566
	317,304,332			302,914,264			285,898,126
	16,618,040			9,857,101			12,349,755
	732,773,827			680,355,788			634,530,634
							602,510,980
	(4,849,475)			(937,846)			(6,689,574)
							(2,006,487)
\$	12,604,000		\$	12,604,000		\$	11,088,000
	45,836,899			53,154,281			27,195,488
	65,384			205,240			62,323
	-			-			7,500,000
	-			-			(755,815)
	58,506,283			65,963,521			45,089,996
							16,998,584
	\$ 53,656,808			\$ 65,025,675			\$ 38,400,422
							\$ 14,992,097

STATE OF VERMONT
Statistical Section - Table 3
Financial Trends
Fund Balances, Governmental Funds*
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2008	2007	2006	2005
General Fund				
Reserved.....	\$ 101,264,674	\$ 94,972,963	\$ 93,133,111	\$ 95,058,522
Unreserved.....	<u>54,458,250</u>	<u>68,056,829</u>	<u>68,316,939</u>	<u>68,609,646</u>
Total General Fund.....	<u><u>\$ 155,722,924</u></u>	<u><u>\$ 163,029,792</u></u>	<u><u>\$ 161,450,050</u></u>	<u><u>\$ 163,668,168</u></u>
All Other Governmental Funds				
Reserved.....	\$ 75,076,011	\$ 70,650,210	\$ 79,807,902	\$ 63,821,409
Unreserved, reported in:				
Special revenue funds.....	145,880,785	160,165,603	156,102,410	127,908,578
Capital projects funds.....	32,616,541	26,294,481	22,096,858	20,816,577
Permanent funds.....	-	11,546,644	9,636,760	4,413,943
Total all other governmental funds.....	<u><u>\$ 253,573,337</u></u>	<u><u>\$ 268,656,938</u></u>	<u><u>\$ 267,643,930</u></u>	<u><u>\$ 216,960,507</u></u>

* Governmental Accounting Standards Board Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments," was implemented by the State in fiscal year 2002. Permanent funds and certain special revenue funds were reported as fiduciary trust funds prior to this implementation. Amounts for fiscal years 2001 and earlier have not been restated to reclassify these funds.

Fiscal Year					
2004	2003	2002	2001	2000	1999
\$ 92,751,312	\$ 52,690,713	\$ 51,695,723	\$ 86,174,465	\$ 114,149,646	\$ 82,033,240
61,974,484	47,061,962	97,898,194	86,583,269	54,991,249	53,860,810
<u>\$ 154,725,796</u>	<u>\$ 99,752,675</u>	<u>\$ 149,593,917</u>	<u>\$ 172,757,734</u>	<u>\$ 169,140,895</u>	<u>\$ 135,894,050</u>
 \$ 61,817,802	 \$ 46,533,226	 \$ 54,367,194	 \$ 35,353,352	 \$ 36,275,097	 \$ 18,986,974
143,967,418	66,061,162	82,458,887	94,681,498	94,568,979	105,124,935
36,362,811	37,299,263	51,798,769	22,363,376	22,526,489	20,181,684
1,790,948	1,705,584	1,518,780	-	-	-
<u>\$ 243,938,979</u>	<u>\$ 151,599,235</u>	<u>\$ 190,143,630</u>	<u>\$ 152,398,226</u>	<u>\$ 153,370,565</u>	<u>\$ 144,293,593</u>

STATE OF VERMONT
Statistical Section - Table 4
Financial Trends
Changes in Fund Balances, Governmental Funds*
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2008	2007	2006	2005
REVENUES:				
Taxes.....	\$ 2,409,100,087	\$ 2,460,570,749	\$ 2,337,341,048	\$ 2,160,130,972
Fees.....	61,444,288	70,221,353	52,813,029	58,290,625
Sales of services, rents and leases.....	17,697,138	13,723,675	13,455,255	13,250,908
Federal grants.....	1,317,932,182	1,243,957,617	1,195,618,641	1,149,686,863
Fines, forfeits and penalties.....	21,971,622	19,315,425	19,172,068	19,382,893
Investment income.....	11,993,621	17,316,519	11,468,734	7,905,566
Licenses.....	96,079,069	92,593,084	82,772,243	79,897,287
Special assessments.....	44,802,264	29,062,116	27,320,199	25,154,296
Other revenues.....	80,021,482	71,338,330	58,327,506	69,137,334
Total revenues.....	4,061,041,753	4,018,098,868	3,798,288,723	3,582,836,744
EXPENDITURES:				
General government.....	85,545,323	66,604,950	63,454,504	69,637,852
Protection to persons and property.....	250,028,181	247,732,080	227,084,839	222,239,431
Human services.....	1,637,939,588	1,521,057,433	1,433,190,205	1,397,574,415
Employment and training.....	27,056,304	24,487,881	21,090,488	20,946,037
General education.....	1,533,339,872	1,609,653,282	1,513,711,838	1,414,259,100
Natural resources.....	97,320,555	97,456,248	93,672,918	82,298,019
Commerce and community development.....	35,464,540	30,607,512	30,842,981	35,026,161
Transportation.....	369,814,833	379,347,072	321,421,189	310,061,273
Public service enterprises.....	4,501,715	1,890,030	1,994,246	1,649,863
Capital outlay.....	37,208,418	37,034,547	43,062,733	52,773,840
Debt service:				
Interest.....	22,083,473	23,032,806	21,958,988	22,004,546
Principal.....	46,614,556	46,097,158	45,272,088	45,348,153
Total expenditures.....	4,146,917,358	4,085,000,999	3,816,757,017	3,673,818,690
Excess of revenues over (under) expenditures.....	(85,875,605)	(66,902,131)	(18,468,294)	(90,981,946)
Other financing sources (uses):				
Proceeds from the sale of bonds.....	46,000,000	44,500,000	45,000,000	41,000,000
Proceeds from the sale of refunding bonds.....	29,195,000	-	-	23,267,099
Premium on sale of bonds.....	798,046	305,058	744,195	93,445
Payment to bond escrow agent.....	(29,375,437)	-	-	(22,431,596)
Premium on sale of short-term notes.....	-	-	-	-
Residual equity transfer.....	-	-	-	-
Transfers in.....	1,212,740,225	1,092,592,826	1,155,078,201	478,209,945
Transfers out.....	(1,184,603,543)	(1,067,903,003)	(1,133,888,797)	(447,193,047)
Total other financing sources (uses).....	74,754,291	69,494,881	66,933,599	72,945,846
Extraordinary item:				
Loss on forgiveness of debt.....	-	-	-	-
Net change in fund balances.....	\$ (11,121,314)	\$ 2,592,750	\$ 48,465,305	\$ (18,036,100)
Debt service as a percentage of noncapital expenditures*.....	1.72%	1.77%	1.83%	1.91%

* The State implemented Governmental Accounting Standards Board Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments," in fiscal year 2002. Prior to this, the State did not maintain information necessary for computing debt service as a percentage of noncapital expenditures in the governmental funds. Additionally, prior to fiscal year 2002, certain special revenue funds and the permanent funds were reported as fiduciary funds; amounts for years prior to 2002 have not been restated to include data for those funds in this table.

Fiscal Year					
2004	2003	2002	2001	2000	1999
\$ 1,831,301,567	\$ 1,615,244,889	\$ 1,600,725,756	\$ 1,590,021,858	\$ 1,529,512,665	\$ 1,092,581,137
46,613,828	47,770,289	36,708,774	36,193,167	34,442,295	33,416,275
14,211,562	14,031,691	15,613,693	11,044,242	17,481,955	15,821,046
1,195,394,472	1,036,188,776	964,141,863	849,190,708	847,344,627	752,470,334
22,136,295	15,150,570	14,209,581	9,449,787	10,489,734	8,953,403
4,579,721	5,561,830	6,883,583	12,813,248	11,548,738	9,410,231
78,413,620	71,827,369	66,126,632	70,037,167	67,484,136	63,399,886
25,865,976	22,454,287	21,629,014	12,797,215	9,329,929	7,581,026
77,710,776	85,137,810	78,526,877	43,052,988	39,170,217	43,597,589
3,296,227,817	2,913,367,511	2,804,565,773	2,634,600,380	2,566,804,296	2,027,230,927
59,420,753	56,610,063	71,394,584	91,208,675	72,377,387	72,582,300
200,556,219	184,257,770	174,438,289	141,541,764	134,520,793	126,537,008
1,298,524,173	1,200,628,758	1,064,306,490	910,389,884	910,137,339	824,563,158
26,193,011	27,904,668	26,285,028	25,999,908	27,631,323	25,997,774
1,119,927,687	1,067,249,406	1,021,058,900	894,781,354	893,172,183	492,704,507
76,194,919	84,602,070	86,309,386	86,780,546	88,148,291	76,188,643
28,628,106	32,963,605	34,094,561	34,941,291	30,920,684	40,875,808
289,728,406	284,978,570	311,109,113	294,277,972	267,400,584	246,716,884
1,898,161	1,897,774	2,001,936	1,257,308	1,272,134	1,517,976
41,195,540	40,702,096	34,727,809	12,132,666	4,971,000	1,304,778
27,213,333	23,687,879	23,804,098	23,310,944	23,525,283	23,597,102
43,620,613	49,526,115	45,410,549	50,585,000	51,330,000	48,470,000
3,213,100,921	3,055,008,774	2,894,940,743	2,567,207,312	2,505,407,001	1,981,055,938
83,126,896	(141,641,263)	(90,374,970)	67,393,068	61,397,295	46,174,989
42,200,000	35,800,000	51,000,000	-	37,000,000	34,285,000
146,554,448	31,555,000	-	-	-	-
1,838,750	2,413,804	123,348	-	-	-
(146,071,943)	(33,778,426)	-	-	-	-
-	678,750	-	-	-	-
-	-	-	-	-	(4,200,000)
438,309,704	401,290,002	347,614,574	357,861,384	350,741,856	381,552,402
(418,644,990)	(382,222,560)	(326,202,917)	(422,024,569)	(406,939,405)	(368,996,697)
64,185,969	55,736,570	72,535,005	(64,163,185)	(19,197,549)	42,640,705
-	(2,204,948)	-	-	-	-
\$ 147,312,865	\$ (88,109,641)	\$ (17,839,965)	\$ 3,229,883	\$ 42,199,746	\$ 88,815,694

2.31% 2.59% 2.49% not available not available not available

STATE OF VERMONT
Statistical Section - Table 5
Revenue Capacity
Personal Income and Earnings by Major Industry
Last Ten Calendar Years
(Expressed in Thousands)

	2008 (1)	2007	2006	2005
Total personal income	\$ 24,204,000	\$ 23,263,546	\$ 21,815,667	\$ 20,275,372
Earnings	16,899,000	16,435,627	15,803,062	15,206,968
Farm earnings	146,000	194,521	80,591	167,619
Non-farm earnings	16,753,000	16,241,106	15,722,471	15,039,349
Private earnings	13,633,000	13,259,925	12,860,998	12,297,544
Forestry, fishing, related activities	73,000	74,513	72,640	69,565
Mining	64,000	52,252	49,898	42,178
Utilities	251,000	236,437	215,569	211,505
Construction	1,050,000	1,144,788	1,185,291	1,110,686
Manufacturing	2,497,000	2,449,480	2,398,473	2,340,459
Durable goods	1,908,000	1,870,706	1,815,546	1,771,936
Nondurable goods	589,000	578,774	582,927	568,523
Wholesale trade	674,000	649,885	641,151	608,271
Retail trade	1,369,000	1,357,712	1,331,669	1,301,386
Transportation and warehousing	395,000	381,934	371,662	365,915
Information	344,000	343,820	335,790	330,881
Finance and insurance	878,000	802,667	741,341	716,350
Real estate and rental and leasing	222,000	216,019	217,399	226,353
Professional and technical services	1,328,000	1,249,865	1,233,726	1,102,658
Management of companies and enterprises	19,000	25,406	23,551	22,984
Administrative and waste services	392,000	370,701	342,524	327,641
Education services	515,000	490,791	464,378	437,843
Healthcare and social assistance	2,244,000	2,126,583	1,994,419	1,880,653
Arts, entertainment, and recreation	144,000	142,536	136,245	127,918
Accommodation and food services	682,000	668,780	648,026	627,707
Other services, except public administration	492,000	475,756	457,246	446,591
Government and government enterprises	3,120,000	2,981,181	2,861,473	2,741,805
Federal, civilian	558,000	536,172	519,095	503,965
Military	173,000	158,341	154,939	166,661
State and local	2,389,000	2,286,668	2,187,439	2,071,179
State	N/A	N/A	936,236	885,776
Local	N/A	N/A	1,251,203	1,185,403
Other personal income (2)	7,305,000	6,827,919	6,012,605	5,068,404
Average effective tax rate (4)	N/A	N/A	2.54%	2.50%

- (1) Data for 2008 are projected annual estimates based on information through 2008 second quarter.
- (2) Includes non-earned income, such as interest and dividends, rental income, and government transfers to individuals.
- (3) Data for this category is not reported, but estimates are included in totals.
- (4) Total direct tax rate is not available. Average effective tax rate equals personal income tax collections (see Statistical Section Table 6) divided by total personal income. Source of collections data: Vermont Department of Taxes

Source: U.S. Department of Commerce, Bureau of Economic Analysis

2004	2003	2002	2001	2000	1999
\$ 19,775,878	\$ 18,711,004	\$ 18,051,034	\$ 17,741,649	\$ 16,883,009	\$ 15,649,530
14,608,971	13,716,038	13,168,932	12,836,041	12,233,555	11,333,031
169,354	121,197	102,249	144,132	163,349	152,763
14,439,617	13,594,841	13,066,683	12,691,909	12,070,206	11,180,268
11,845,675	11,164,373	10,833,222	10,615,549	10,138,954	9,375,880
66,009	70,675	72,301	81,546	82,464	72,730
44,699	45,273	45,363	56,394	42,171	41,377
216,363	184,273	180,410	173,022	148,896	153,360
1,051,424	935,867	892,098	873,099	815,398	731,956
2,300,799	2,244,054	2,296,120	2,444,748	2,326,913	2,124,210
1,733,968	1,700,400	1,762,594	1,874,462	1,702,701	1,541,312
566,831	543,654	533,526	570,286	624,212	582,898
589,472	579,517	545,095	513,671	469,019	433,176
1,250,574	1,196,790	1,163,703	1,105,382	1,037,447	979,532
354,749	318,324	317,510	303,475	312,272	294,770
329,371	321,490	(3)	308,245	284,388	269,132
692,440	670,135	623,462	599,022	566,660	528,951
226,591	207,680	200,243	187,050	159,588	159,148
1,011,999	934,631	893,434	893,740	893,421	837,977
21,025	19,086	18,512	19,085	101,539	101,360
322,582	278,438	274,840	271,335	255,315	244,595
422,933	387,953	372,840	345,156	325,002	303,404
1,762,188	1,650,456	1,558,098	1,418,212	1,281,660	1,165,802
124,369	116,223	108,960	104,585	108,359	108,644
617,855	585,229	563,900	535,780	539,090	486,076
440,233	418,279	(3)	382,002	389,352	339,680
2,593,942	2,430,468	2,233,461	2,076,360	1,931,252	1,804,388
489,421	443,729	409,354	377,833	369,785	332,327
151,223	142,754	99,041	79,440	72,931	69,105
1,953,298	1,843,985	1,725,066	1,619,087	1,488,536	1,402,956
834,493	786,315	737,053	693,004	615,363	573,038
1,118,805	1,057,670	988,013	926,083	873,173	829,918
5,166,907	4,994,966	4,882,102	4,905,608	4,649,454	4,316,499
2.35%	2.22%	2.22%	2.26%	2.49%	2.55%

STATE OF VERMONT
Statistical Section - Table 6
Revenue Capacity
Personal Income Tax Rates and Tax Collections
Last Ten Calendar Years

Calendar Year	Tax Rates for Taxable Income Within Range, Single Filing Status (1)					Tax Collections (000s)	Personal Income (4) (000s)	Average Effective Tax Rate
	3.6%	7.2%	8.5%	9.0%	9.5%			
2007	\$0 - \$31,850	\$31,851 - \$77,100	\$77,101 - \$160,850	\$160,851 - \$349,700	> \$349,700	N/A	\$ 22,580,000	N/A
2006	\$0 - \$30,650	\$30,651 - \$74,200	\$74,201 - \$154,800	\$154,801 - \$336,550	> \$336,550	\$ 552,055	\$ 21,601,346	2.56%
2005	\$0 - \$29,700	\$29,701 - \$71,950	\$71,951 - \$150,150	\$150,151 - \$326,450	> \$326,450	\$ 507,701	\$ 20,323,602	2.50%
2004	\$0 - \$29,050	\$29,051 - \$70,350	\$70,351 - \$146,750	\$146,751 - \$319,100	> \$319,100	\$ 463,755	\$ 19,749,931	2.35%
2003	\$0 - \$28,400	\$28,401 - \$68,800	\$68,801 - \$143,500	\$143,501 - \$311,950	> \$311,950	\$ 415,020	\$ 18,711,004	2.22%
2002	\$0 - \$27,950	\$27,951 - \$67,700	\$67,701 - \$141,250	\$141,251 - \$307,050	> \$307,050	\$ 400,120	\$ 18,051,034	2.22%
2001 (2)	\$0 - \$27,050	\$27,051 - \$65,550	\$65,551 - \$136,750	\$136,751 - \$297,350	> \$297,350	\$ 400,522	\$ 17,741,649	2.26%
2000 (3)						\$ 420,355	\$ 16,883,009	2.49%
1999 (3)						\$ 399,800	\$ 15,649,530	2.55%
1998 (3)						\$ 365,617	\$ 14,787,819	2.47%

N/A - Information not available at publication date.

(1) Different taxable income ranges apply to these rates for other filing statuses, including Married Filing Jointly, Married Filing Separately, Head of Household, etc.

(2) For 2001, the tax rates applied to the five income ranges for single status filers were 3.6%, 6.72%, 7.44%, 8.64%, and 9.5%, respectively.

(3) Prior to 2001, the State's personal income tax rate was a percentage of the filer's individual federal income tax liability, rather than being a separate rate applied to Vermont taxable income. These percentages were as follows: for 2000, 24% of federal taxes; for 1999 and prior, 25% of federal taxes.

(4) See Statistical Section Table 5 for additional detail regarding personal income.

STATE OF VERMONT
Statistical Section - Table 7
Revenue Capacity
Personal Income Tax Filers and Liability by Income Level
Calendar Years 2007 and 1998

Calendar Year 2007¹					
Income Level	Number of Filers	Percentage of Total Filers	State Taxable Income ²	State Personal Income Tax (net) ³	Percentage of Total State
\$300,000 and higher	2,415	0.67%	\$ 1,924,036,644	\$ 145,007,858	24.66%
\$150,000 - \$299,999	5,437	1.50%	1,090,469,448	69,166,291	11.76%
\$100,000 - \$149,999	9,212	2.55%	1,103,547,497	59,838,477	10.17%
\$75,000 - \$99,999	13,691	3.78%	1,172,495,712	57,004,713	9.69%
\$50,000 - \$74,999	32,256	8.91%	1,968,463,520	81,673,521	13.89%
\$25,000 - \$49,999	64,012	17.69%	2,310,924,293	84,349,716	14.34%
\$10,000 - \$24,999	63,103	17.44%	1,084,679,147	37,595,399	6.39%
\$9,999 and lower	122,208	33.79%	257,863,384	8,984,817	1.53%
Out of State	49,490	13.68%	22,301,751,545	44,552,263	7.57%
Totals	361,824	100.01%	\$ 33,214,231,190	\$ 588,173,055	100.00%

Calendar Year 1998					
Income Level	Number of Filers	Percentage of Total Filers	State Taxable Income ²	State Personal Income Tax (net) ³	Percentage of Total State
\$300,000 and higher	1,273	0.40%	\$ 1,003,234,003	\$ 64,211,959	17.56%
\$150,000 - \$299,999	2,732	0.86%	553,336,308	33,596,566	9.19%
\$100,000 - \$149,999	4,341	1.37%	520,174,909	28,193,840	7.71%
\$75,000 - \$99,999	6,674	2.11%	571,150,509	28,587,211	7.82%
\$50,000 - \$74,999	19,637	6.20%	1,179,048,813	53,180,414	14.55%
\$25,000 - \$49,999	57,087	18.02%	2,032,242,286	77,375,431	21.17%
\$10,000 - \$24,999	66,167	20.89%	1,118,853,945	39,941,429	10.92%
\$9,999 and lower	119,617	37.77%	312,527,692	11,532,861	3.15%
Out of State	39,222	12.38%	6,772,814,153	28,997,616	7.93%
Totals	316,750	100.00%	\$ 14,063,382,618	\$ 365,617,327	100.00%

¹ Information for Tax Year 2007 is preliminary data for returns processed through November 14, 2008.

² State Taxable Income is the total taxable income reported on line 15 of tax returns for an income class.

³ State Personal Income Tax is net of taxable income adjustments, Vermont credits and other tax credits.

Source: Vermont Department of Taxes

STATE OF VERMONT
Statistical Section - Table 8
Debt Capacity
Ratios of Outstanding Debt by Type, Last Ten Years
(Expressed in Thousands, Except Per Capita)

Fiscal Year	Governmental Activities						Ratio of Debt to Personal Income (2)	Debt Per Capita (3)
	General Obligation Current Interest Bonds	General Obligation Capital Appreciation Bonds (1)	Total General Obligation Bonds	Capital Leases	Total Primary Government			
2008	\$ 429,360	\$ 25,110	\$ 454,470	\$ 384	\$ 454,854		1.88%	N/A
2007	426,415	30,840	457,255	600	457,855		1.97%	\$ 737
2006	425,060	36,214	461,274	741	462,015		2.12%	744
2005	422,212	41,178	463,390	694	464,084		2.29%	749
2004	423,287	45,836	469,123	-	469,123		2.37%	758
2003	422,755	51,030	473,785	-	473,785		2.53%	768
2002	430,735	55,730	486,465	-	486,465		2.69%	791
2001	420,890	59,553	480,443	-	480,443		2.71%	785
2000	464,865	62,434	527,299	-	527,299		3.12%	865
1999	473,355	64,436	537,791	1,943	539,734		3.45%	893

(1) Net of Unaccrued Interest

(2) See Statistical Section Table 5 for additional detail regarding personal income.

(3) See Statistical Section Table 10 for population statistics.

Note: The State has no constitutional or other limit on its power to issue obligations or incur indebtedness except for the requirement that borrowing only be for public purposes.

STATE OF VERMONT
Statistical Section - Table 9
Debt Capacity
Ratios of General Obligation Bonded Debt Outstanding
Last Ten Fiscal Years *
(Expressed in Thousands, Except Per Capita)

Fiscal Year	General Obligation Bonded Debt	State Taxable Personal Income (1)	Ratio of General Bonded Debt to Taxable Personal Income	General Bonded Debt Per Capita (2)
2007	\$ 457,255	33,214,231	1.38%	736
2006	461,274	25,051,130	1.84%	743
2005	463,390	23,609,221	1.96%	747
2004	469,123	19,956,789	2.35%	758
2003	473,785	16,395,915	2.89%	768
2002	486,465	15,083,109	3.23%	791
2001	480,443	16,026,774	3.00%	785
2000	527,299	15,030,104	3.51%	864
1999	537,791	14,837,850	3.62%	889
1998	548,133	14,063,383	3.90%	914

* Most of the information for this table is not available for the 2008 year, so the data reported here is for the ten years 1998 - 2007.

(1) Source: Vermont Department of Taxes.

(2) See Statistical Section Table 10 for population statistics.

STATE OF VERMONT
Statistical Section - Table 10
Demographic and Economic Statistics
Population, Per Capita Personal Income, Civilian Labor Force,
Public School Enrollment, and Motor Vehicle Registration Data
Last Ten Years*

Year	Population ¹			Per Capita Personal Income ¹			Vermont as a percentage of U.S.
	U.S.	Change From Prior Period	State of Vermont	Change From Prior Period	U.S.	State of Vermont	
2007	301,621,157	0.96%	621,254	0.08%	\$ 38,611	\$ 36,670	94.97%
2006	298,754,819	0.97%	620,778	0.17%	36,714	34,871	94.98%
2005	295,895,897	0.92%	619,736	0.15%	34,757	32,833	94.46%
2004	293,191,511	0.94%	618,794	0.27%	33,123	31,959	96.49%
2003	290,447,644	0.89%	617,101	0.30%	31,504	30,321	96.24%
2002	287,888,021	0.97%	615,250	0.49%	30,821	29,339	95.19%
2001	285,112,030	1.03%	612,225	0.38%	30,574	28,979	94.78%
2000	282,194,308	1.13%	609,909	0.86%	29,845	27,681	92.75%
1999	279,040,168	1.15%	604,683	0.71%	27,939	25,881	92.63%
1998	275,854,104	1.18%	600,416	0.53%	26,883	24,629	91.62%

*Most of the information for this table is not available for the 2008 year, so the data reported here is for the ten years 1998 - 2007. Some data previously reported for prior years has been modified to reflect updated estimates.

1. Source: Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce.
2. Source: Local Area Unemployment Statistics, Vermont Department of Labor, Economic & Labor Market Information; Not Seasonally Adjusted.
3. Source: Vermont Department of Education, "Elementary/Secondary Public School Enrollment."
4. Source: Vermont Department of Motor Vehicles, All Registered Vehicle Types; includes autos, trucks, motorcycles, buses, state & municipal, and dealer vehicles; data is on a calendar year basis.

Civilian Labor Force ²

State Employed	State Unemployed	State Total	State Unemployment Rate	Public School Enrollment ³	Motor Vehicles Registered ⁴
340,100	13,800	353,900	3.9%	95,481	623,231
342,500	13,200	355,700	3.7%	96,636	621,685
337,200	12,200	349,400	3.5%	98,361	617,642
334,500	12,900	347,400	3.7%	99,104	609,852
331,300	15,500	346,800	4.5%	99,978	601,748
331,800	13,900	345,700	4.0%	101,180	588,906
330,100	11,100	341,200	3.3%	102,049	577,406
326,700	9,100	335,800	2.7%	104,559	564,165
325,600	9,800	335,400	2.9%	105,120	550,698
321,600	10,300	331,900	3.1%	105,984	528,363

STATE OF VERMONT
Statistical Section - Table 11
Demographic and Economic Information
Annual Average Non-Farm Employment By Industry
for the Years 2007 and 1998

	2007			1998		
	Employees	Rank	Percent of Total	Employees	Rank	Percent of Total
Total non-farm employment	307,800		100.0%	284,850		100.0%
Private total	253,800		82.5%	238,650		83.8%
Natural resources and mining	850		0.3%	1,050		0.4%
Construction	16,850	6	5.5%	13,550	6	4.8%
Manufacturing:						
Durable goods	26,100	4	8.5%	32,000	3	11.2%
Nondurable goods	9,850	9	3.2%	12,650	7	4.4%
Wholesale trade	10,300	10	3.3%	9,500	10	3.3%
Retail trade	40,100	2	13.0%	37,650	1	13.2%
Transportation, warehousing, and utilities	8,700		2.8%	8,650		3.0%
Information	5,950		1.9%	6,550		2.3%
Financial activities:						
Finance and insurance	9,900		3.2%	9,450		3.3%
Real estate and rental and leasing	3,300		1.1%	2,900		1.0%
Professional and business services:						
Professional and technical services	13,250	7	4.3%	10,700	9	3.8%
Management of companies and enterprises	350		0.1%	500		0.2%
Administrative and waste services	8,700		2.8%	8,550		3.0%
Educational and health services:						
Education services	12,750	8	4.1%	11,350	8	4.0%
Healthcare and social assistance	44,050	1	14.3%	32,050	2	11.3%
Leisure and hospitality:						
Arts, entertainment, and recreation	3,950		1.3%	2,800		1.0%
Accommodation and food services	28,950	3	9.4%	29,350	4	10.3%
Other services, except public administration	9,900		3.2%	9,400		3.3%
Government total	54,000		17.5%	46,200		16.2%
Federal	5,950		1.9%	5,550		1.9%
State government education	8,300		2.7%	6,800		2.4%
Local government education	22,750	5	7.4%	19,500	5	6.8%
Other state government	9,850		3.2%	8,350		2.9%
Other local government	7,150		2.3%	6,000		2.1%

Source: Vermont Department of Labor, Labor Market Information, data release date 10/21/08

Note - Data for specific businesses that comprise the top employers in the state is not available, due to confidentiality regulations; thus, information by industry is presented.

STATE OF VERMONT
Statistical Section - Table 12
Operating Information
Full-Time Equivalent State Government Employees by Function/Program
Last Ten Years

Function/Program	2008⁴	2007	2006	2005	2004	2003	2002	2001	2000	1999
General Government										
Administration	5	4	4	4	3	11	12	12	12	9
Auditor of Accounts	12	11	11	11	12	12	12	10	11	13
Buildings & General Services	424	417	424	396	399	419	422	390	370	351
Finance & Management	47	37	39	36	38	32	35	30	32	27
Executive (Governor's) Office	18	18	17	17	17	16	19	18	18	19
Information & Innovation ¹	61	57	50	49	51	-	-	-	-	-
Libraries	32	31	34	34	34	34	33	34	37	35
Lieutenant Governor	2	2	2	2	2	2	2	2	2	2
Human Resources (Personnel)	51	59	57	56	56	54	56	52	51	53
State Treasurer	35	36	37	34	33	29	30	29	30	27
Taxes	180	176	183	184	183	179	189	185	182	172
Vermont Labor Relations Board	2	2	2	2	2	2	2	2	2	2
VOSHA Review Board	1	1	1	1	1	1	1	1	1	1
Protection to Persons & Property										
Agriculture, Food & Markets	97	96	95	89	87	81	85	84	85	84
Attorney General	71	69	72	68	67	62	69	57	62	45
BISHCA	110	108	105	99	93	89	84	83	87	81
Criminal Justice Training Council	10	10	10	11	8	6	7	8	8	7
Defender General	64	63	61	62	60	55	56	55	56	52
Labor & Industry ^{2,3}	n/a	n/a	n/a	43	85	82	82	77	79	77
Liquor Control	56	54	56	54	55	54	56	55	53	50
Military	126	117	118	109	111	104	112	101	101	103
Public Safety ³	592	599	602	568	511	480	491	490	462	460
Public Service Dept.	50	52	49	47	51	51	51	50	51	47
Public Service Board	25	24	27	25	25	24	23	24	23	24
Secretary of State	51	52	51	48	50	46	43	47	48	43
State's Attorneys & Sheriffs	156	155	154	153	154	145	148	150	145	137
Vermont Human Rights Commission	5	5	5	5	5	5	5	5	5	5
Vermont Lottery Commission	19	18	19	19	19	19	19	20	19	19
VT Fire Service Training Council ²	n/a	n/a	n/a	n/a	7	8	8	7	7	5
Human Services²										
Children & Families	960	947	941	932	n/a	n/a	n/a	n/a	n/a	n/a
PATH	n/a	n/a	n/a	n/a	414	406	422	415	396	383
Office of Child Care	n/a	n/a	n/a	n/a	124	119	119	117	118	100
Social & Rehabilitation Services	n/a	n/a	n/a	n/a	400	377	398	384	380	346
Vt Office of Health Access	93	79	65	43	n/a	n/a	n/a	n/a	n/a	n/a
Aging & Disability	298	288	275	268	216	201	196	186	177	156
Corrections	1,115	1,150	1,146	1,129	1,101	947	967	942	923	840
Economic Opportunity	n/a	n/a	n/a	n/a	6	8	8	9	9	8
Health	525	753	749	715	496	483	472	465	441	393
Developmental & MH Services	236	n/a	n/a	n/a	96	102	104	102	98	91
Vermont State Hospital	n/a	n/a	n/a	n/a	178	173	152	152	150	155
Human Services	99	95	89	59	54	52	61	57	64	62
Governor's Commission on Women	3	3	3	3	3	3	3	3	4	4
Veteran's Home (discrete component unit)	200	204	190	188	195	192	193	166	171	175
Employment & Training										
Department of Labor ³	277	276	281	250	290	315	324	325	351	341
General Education										
Department of Education	184	194	196	182	181	174	185	170	143	117
Natural Resources										
Environmental Board	31	29	30	29	31	30	32	32	28	29
Environmental Conservation	283	285	286	273	264	256	257	265	259	244
Fish & Wildlife	130	124	119	121	118	117	116	117	120	119
Forests, Parks & Recreation	114	113	113	111	119	115	118	120	118	118
Natural Resources	59	56	58	52	48	48	36	37	41	39
Water Resources Board	-	-	-	3	4	4	4	4	4	4
Commerce & Community Development										
Agy of Commerce & Community Dev	96	97	93	101	95	92	98	100	95	94
Transportation										
Agency of Transportation	1,253	1,255	1,242	1,255	1,287	1,261	1,241	1,229	1,189	1,175
Total	8,258	8,221	8,161	7,940	7,936	7,573	7,658	7,475	7,318	6,943

¹ New department formed from consolidating GOVNet program (previously in Administration) and Communication & Information Technology program (previously in Buildings & General Services).

² In 2005 the Agency of Human Services reorganized with some department consolidations and other new departments established. Also in 2005 the Vermont Fire Service Training Council and portions of the Department of Labor and Industry were merged into the Department of Public Safety.

³ In 2006 portions of the Department of Labor and Industry merged with the Department of Employment & Training and the new consolidated department was named the Department of Labor.

⁴ Preliminary Data

Source: Vermont Department of Human Resources - State of Vermont Workforce Report

STATE OF VERMONT
Statistical Section - Table 13
Operating Information
Operating Indicators by Function
Last Five Years

Function	2008	2007	2006	2005	2004
General Government					
Sq ft of State owned facilities ¹	3,941,153	3,928,255	3,377,476	3,035,161	3,118,618
State Pension Plan Membership ²	44,947	44,015	43,171	42,097	41,424
# of State Employees (full-time and part-time) ³	8,383	8,352	8,292	8,069	7,935
Protection to Persons & Property⁴					
# of State Agency Law Enforcement Officers	N/A	399	399	405	393
# of Sheriffs Dept Law Enforcement Officers	N/A	119	132	133	117
Human Services⁵					
Total Corrections Population	11,148	11,703	12,303	13,528	13,824
% Kindergartners Fully Immunized	92.3	92.7	95.5	92.8	97.9
Bed nights in Homeless Shelters	N/A	112,715	96,786	101,647	100,028
Employment & Training⁶					
# of Unemployment Compensation Payments	N/A	318,235	304,612	295,674	309,121
General Education⁷					
Statewide average expenditure per Student	N/A	13287	12,624	11,759	11,113
Total Local Education Agencies	N/A	352	353	351	349
Natural Resources					
Gallons of Maple Syrup Production ⁸	500,000	450,000	460,000	410,000	500,000
# of Moose Permit Applications ⁹	N/A	13199	11,987	13,091	13,382
Commerce & Community Development					
Net Change in Employer Businesses ¹⁰	N/A	-249	-18	217	454
Median Purchase Price of New Home ¹¹	N/A	201,000	197,000	182,000	165,000
# of Skier Visits ¹²	4.3 Million	3.8 Million	4.1 Million	4.4 Million	4.2 Million
Transportation¹³					
Total Plowing Hours	N/A	174,022	123,674	339,987	182,690
Structurally Deficient Bridges	N/A	192	197	193	187
Paving Projects Mileage	109*	113	122	90	117

N/A - Information not available at time of printing

* Proposed

Note: Information for these statistics is not available for years prior to 2004, when the State began compiling this data.

Sources:

¹ VT Department of Buildings & General Services, Space Book

² VT Office of the State Treasurer

³ VT Department of Human Resources

⁴ VT Department of Public Safety

⁵ VT Agency of Human Services

⁶ VT Department of Labor & Industry

⁷ VT Department of Education

⁸ US Department of Agriculture

⁹ VT Agency of Natural Resources

¹⁰ bls.gov

¹¹ housingawareness.org

¹² skivermont.com

STATE OF VERMONT
Statistical Section - Table 14
Operating Information
Capital Asset Statistics by Function
Last Five Years

Function	2008	2007	2006	2005	2004
General Government					
Dept of Buildings & General Services:					
Land holdings (acres)	2,923.90	2,923.90	2,915.90	2,851.12	2,981.68
State-owned space (square feet)	3,941,153	3,928,255	3,377,476	3,035,161	3,118,618
Protection to Persons & Property					
Number of state police vehicles	420	412	413	383	376
Number of armory locations	20	20	20	20	20
Number of agriculture research stations	28	27	25	23	20
Human Services					
Dept of Health - Number of lab instruments (analyzer, module, counters, meters, etc.)	103	105	85	71	N/A
Dept of Children & Families - Number of vans	30	25	23	23	23
Department of Corrections - Number of vehicles	3	11	11	11*	85
Employment & Training					
Department of Labor - Number of capitalized computer assets	19	10	29	27	27
General Education					
Department of Education - Number of capitalized computer assets	21	16	16	12	10
Natural Resources					
Number of dams	99	96	94	93	88
Agency of Natural Resources:					
Number of vehicles	214	221	204	309	345
Number of building & Improvement Assets	441	430	423	410	405
Commerce & Community Development					
Number of historic sites	18	17	16	17	17
Number of covered bridges	6	6	7	6	6
Number of underwater preserves	100+	100+	100+	100+	100+
Transportation					
Number of bridges over 20 feet	1077	1077	1077	1,077	1,072
State highway miles	2,707	2,708	2,708	2,708	2,704
Agency of Transportation - buildings (square feet)	1,307,415	1,289,171	1,250,673	1,233,099	1,226,781

* During FY05 most vehicles were transferred to the new Fleet Program

Note: Information for these statistics is not available for years prior to 2004, when the State began compiling this data.